Canadian Commercial Corporation
Corporation Commerciale Canadienne

GROWING CANADIAN EXPORT BUSINESS

Canadian Commercial Corporation
Corporate Plan Summary
2016–17 to 2020–21

OPERATING BUDGET
CAPITAL BUDGET
BORROWING PLAN

Canada

CANADA'S INTERNATIONAL CONTRACTING AND PROCUREMENT AGENCY

MANDATE

To assist in the development of trade by helping Canadian exporters access markets abroad and by helping foreign buyers obtain goods and services from Canada.

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CCC
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TABLE OF CONTENTS

CCC's Corporate Strategy to "Grow Canadian Export Business" will remain focused on the following strategic directions:

EXPAND CANADIAN EXPORT OPPORTUNITIES THROUGH ENHANCED BUSINESS DEVELOPMENT CAPABILITY

Broaden foreign representation in priority markets to generate business through meaningful and trusted relationships with foreign government buyers, leading to increased international sales for Canadian exporters.

GOVERNMENT OF CANADA TRADE DIRECTIONS AND PRIORITIES

CCC's business development efforts in target markets fully embody a whole-of-government approach to facilitating export sales on a government-to-government basis, leveraging important contributions of other Government of Canada stakeholders.

SMALL & MEDIUM-SIZED ENTERPRISES

Enhance CCC's engagement with small and medium-sized enterprises to improve their access to foreign government procurement opportunities on a government-to-government basis.

COST CONTAINMENT & EFFECTIVENESS

Make prudent investments to develop and successfully manage business contracts for Canadian exporters in a cost-efficient manner and in a manner which fully considers the risks inherent in international business, while responding to the competitive challenges faced by Canadian exporters.

CORPORATE SOCIAL RESPONSIBILITY

CCC is committed to operating in an environmentally, socially and ethically responsible manner, and to respecting Canada's international commitments, while upholding the Corporation's public policy mandate and acting within its resources.

EXECUTIVE SUMMARY

Established in 1946, the Canadian Commercial Corporation (CCC) is a federal Crown corporation mandated to facilitate international trade on behalf of Canadian industry, particularly with governments of foreign countries.

International trade facilitated by the Corporation assists in creating and maintaining jobs in Canada and is an important contributor to Canada's economic viability. While CCC's mandate supports any industry sector, the Corporation's efforts are primarily focused on the aerospace, defence, security and infrastructure (including healthcare, clean technology, and renewable energy) sectors. These industries are strategically important contributors to the Canadian economy in terms of employment, innovation, productivity, research and development, Gross Domestic Product (GDP) and trade. The Canadian aerospace industry, for instance, is responsible for the employment of more than 180,000 Canadians, and contributes $29 billion of GDP to the Canadian economy annually.[1] Similarly, industry studies have shown that every $1 million in defence and security industry revenues creates or sustains 8.68 jobs in the Canadian economy. In a study conducted by KPMG for the Canadian Association of Defence and Security Industries in 2012, approximately 20% of all jobs in Canada's defence and security industry were linkable to contracts entered into through CCC[2]. In 2014–15, over $2 billion in deliveries on CCC contracts around the world helped sustain more than 25,000 jobs across several sectors of Canada's economy.

CCC remains an important, strategic pillar in a whole-of-government approach to facilitating international trade, and has signed over $500 million in contracts in the first half of 2015–16 as a result of focused outreach with Canadian exporters in target markets in Latin America, the Middle East and Asia. In this Corporate Plan period, the Corporation will launch innovative strategies to capitalize on deepening business relationships abroad and enhancing client service.

CCC's business model is unique in the world. The Corporation's primary service involves the establishment of government-to-government contracts with foreign government buyers to provide goods and services available for export from Canada. CCC then enters into contracts with Canadian exporters to fulfill the requirements of these government-to-government contracts. With this approach, CCC guarantees the performance of the terms and conditions of the contracts for the foreign government buyers, mitigating their risks and providing added incentive to procure from Canada.

CCC's business model also mitigates risks for Canadian exporters as the Corporation is able to leverage its capacity as a Government of Canada organization to monitor progress and bring resolution to any issues that may arise in fulfilling the contract requirements. CCC's involvement can reduce payment collection risks and business development costs; aid in gaining more advantageous contract and payment terms for all Canadian exporters, particularly for small and medium-sized enterprises (SMEs); and help increase international awareness through supporting and promoting ethical business and Corporate Social Responsibility (CSR) practices as Canadian firms seek to increase their international sales.

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[1] Aerospace Industries Association of Canada (AIAC), "AIAC Guide to Canada's Aerospace Industry," http://aiac.ca/guide/ (2015–16)
[2] KPMG, "Economic Impact of the Defence and Security Industry in Canada," https://www.defenceandsecurity.ca/UserFiles/File/IE/KPMG.pdf (May 2012)

CCC delivers its government-to-government contracting services through two core lines of business: Global Security (GS) sales, which includes administering the Canada-United States Defence Production Sharing Agreement (DPSA), and International Commercial Business (ICB) sales.

CCC is actively governed by a Board of Directors which includes a diverse group of members from across Canada who possess a broad range of private and public sector experience. The Board, through the Chairperson, works closely with the Minister of International Trade to guide the Corporation's strategic direction.

CCC's Operating Environment

While economic growth has been sluggish in the years following the financial crisis of 2008, there are signs that economic recovery has begun. The U.S. is expected to lead developed economies in growth for 2016, while growth in emerging markets and developing economies is expected to outpace overall global growth.

Diminished revenues in some oil-producing nations could impact sales for CCC, as countries dependant on oil revenues postpone aerospace, defence and security spending and potential investments in critical infrastructure. Conversely, in oil-importing countries, lower prices could allow for the redeployment of resources for other purposes. This serves to increase the competitiveness of an already hyper-competitive international landscape where companies and governments are furiously competing to win business abroad.

The Changing Global Security Landscape and Urbanization are two emerging realities which continue to have particular relevance to CCC and are considered in setting the Corporation's longer-term business strategies and objectives.

The Changing Global Security Landscape

The dynamics which define the aerospace, defence and security landscape in the next five to fifteen years will change considerably. Major global conflicts of the scale witnessed in the 20th century are unlikely; rather, interstate and interregional conflicts rooted in competition for resources, terrorism, and organized crime will dominate the global security agenda. The focus of long-term strategic planning may centre on global challenges such as cyber security or instability, and on the protection of natural resources and access to energy.

Urbanization

The global shift toward urbanization is continuing, with more than half of the world's population residing in urban areas in 2014, up from 47% at the turn of the century[3]. Urban centers are estimated to generate 80% of a country's economic growth and are forecasted to be home to approximately five billion people.

Governments around the world, especially in developing countries, could spend as much as $35 trillion in public works projects in the next two decades according to the U.S. National Intelligence Council. To do so in a manner that maximizes sustainability, quality of life, and economic competitiveness, these countries will require a mix of innovative approaches to security, energy and water conservation, resource distribution, waste management, disaster management, construction, and transportation. These investments in public projects will inevitably feature a growing list of clean technologies as governments look to this sector for innovative solutions that will harness renewable materials and energy sources while reducing waste and emissions.

Corporate Strategy

The Corporation's strategy will remain focused on increasing access to foreign government markets for Canadian exporters. The strategy supports the Government of Canada's broader agenda on trade, competitiveness and job creation, while also examining new ways to increase operational effectiveness and contain costs.

[3] United Nations Population Division, "Future World Population Growth to be Concentrated in Urban Areas of the World," http://www.un.org/esa/population/publications/wup2001/WUP2001-pressrelease.pdf (March 21, 2002)

The three strategic objectives that formed the basis for the business strategy in 2015–16 remain relevant:

- **Focused and Collaborative Business Development** – CCC will focus on developing and managing key relationships in Canada and abroad to help build the foundations for successful government-to-government export sales. CCC will increase its presence in foreign markets and strengthen relationships with its international trade portfolio partners, Export Development Canada (EDC) and the Trade Commissioner Service (TCS) organization within Global Affairs Canada (GAC). Through enhanced engagement with these and other Government of Canada stakeholders and industry associations, CCC's efforts in leveraging a whole-of-government approach to winning international export sales will lead to more successful business development results for Canadian exporters.
- **Aligning with Government of Canada Trade Priorities and Directions** – CCC aligns its business development pursuits with priority markets and policy objectives identified by the Government of Canada. CCC will continue to make prudent investments in business development for Canadian exporters while respecting cost containment and efficiency initiatives featured in its Financial Plan.
- **Demonstrating Exemplary Corporate Social Responsibility** – CCC upholds the highest ethical standards in all business dealings at home and abroad and supports the Government's commitment to improve Canada's leadership in the world. CCC's enhanced focus on combatting bribery and corruption ensures that the positive reputation of the Government of Canada is maintained. CCC commits to operating in an environmentally, socially, and ethically responsible manner, and to respecting Canada's international commitments, while upholding the Corporation's public policy mandate and functioning within its resources.

People, Processes and Systems remain the key enabler of CCC's ability to deliver on its Corporate Strategy. CCC seeks to remain a workplace of choice for employees, and the Corporation will continue making strategic workforce and workplace investments over the planning period to ensure ample focus is maintained on optimizing the specialized and unique skill sets required to manage a broad and diverse portfolio of international contracts and to grow Canadian export business.

The Financial Plan

CCC's ability to grow Canadian export business is dependent on sound financial management. The 2016–17 to 2020–21 Financial Plan outlines CCC's focus on financial sustainability in the context of a diminished Parliamentary appropriation during the planning period, and a corresponding commitment to cost effectiveness and sound stewardship.

CCC's operating budget, capital budget and borrowing plan, as well as the Corporation's proforma financial schedules, financial objectives and five-year key planning assumptions, are all included in Chapter 4.

SECTION ONE

CORPORATE OVERVIEW

CANADA'S EXPORT CONTRACTING AGENCY

Established in 1946, CCC is a federal Crown corporation mandated to facilitate international trade on behalf of Canadian industry, particularly with governments of foreign countries. The Corporation's business lines are structured to support Canadian companies contracting in a variety of industries and sectors in markets around the globe.

In 1956, CCC became the custodian of the Canada-U.S. DPSA, responsible for administering the agreement on behalf of the Government of Canada. Under the DPSA, the U.S. Department of Defense (U.S. DoD) requires that aerospace, defence and security purchases from Canada by their procurement personnel be contracted through CCC when their procurement value exceeds $150,000 USD. Since 1960 a similar agreement has been in place for the supply of goods and services from Canadian sources to the National Aeronautics and Space Administration (NASA). This agreement is an important component of the maintenance of a healthy North American Defence Industrial Base.

CCC'S SERVICES: GOVERNMENT-TO-GOVERNMENT CONTRACTING

CCC's primary service involves the establishment of government-to-government contracts with foreign government buyers to provide goods and services available for export from Canada. In turn, CCC enters into contracts with Canadian exporters to fulfill the requirements of these government-to-government contracts. With this approach, CCC guarantees that the terms and conditions of the contracts with the foreign government buyers will be satisfied, mitigating the buyers' risks and providing added incentive to procure from Canada.

CCC also mitigates risks for Canadian exporters as the Corporation is able to leverage its capacity as a Government of Canada organization to monitor progress and bring resolution to any issues that may arise in fulfilling the contract requirements. CCC's involvement reduces payment collection risks and business development costs; aids in gaining more advantageous contract and payment terms for all Canadian exporters, particularly SMEs; and helps increase international awareness through supporting and promoting ethical business and CSR practices as Canadian firms seek to increase their international sales.

CCC delivers on its mandate through two principal business lines: GS sales, and ICB sales. As a Government of Canada entity, authorized on behalf of the Canadian government to execute commercial contracts with foreign government buyers, CCC is uniquely positioned to support Canadian exporters and to increase Canada's trade footprint in new and priority markets. The Corporation's presence in foreign countries leads to better awareness regarding the credibility and capabilities of Canadian exporters.

Global Security Sales

CCC's business model is focused principally on assisting Canadian companies to compete globally and secure sales in aerospace, defence and security markets. CCC's GS sales business has two interdependent components:

Sales to the U.S. DoD and NASA under the Canada-U.S. DPSA

CCC assists Canadian aerospace, defence and security companies to compete for contracts with the U.S. DoD through the unconstrained access that flows from the Canada-U.S. DPSA and related U.S. Regulations. Canadian exporters are also able to leverage the U.S. Foreign Military Sales (FMS) program through their access to the DPSA, as they are able to sell into the U.S. DoD inventory where their goods can then be re-sold to third party countries. Over the past 55 years, Canada's aerospace, defence and security exports to the U.S. under the DPSA have totaled more than $30 billion, and both Canada and the U.S. have recognized the DPSA as being vitally important to the defence of North America. CCC has historically received a Parliamentary appropriation to manage this public policy program. The U.S. DoD market often becomes the platform for Canadian companies to build their capacity to compete internationally and generate other global sales. Under the DPSA, CCC acts as Prime Contractor on U.S. DoD and NASA contracts valued above $150,000 USD.

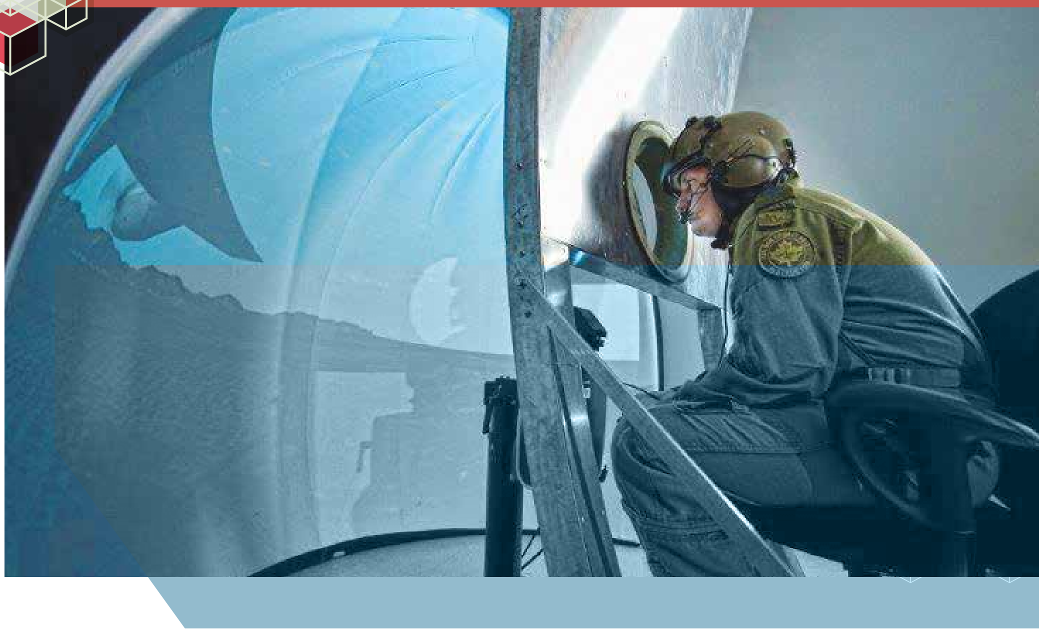
CCC assesses the technical, managerial and financial capabilities of Canadian suppliers, and on sole source opportunities, Public Services and Procurement Canada (PSPC) provides a fair and reasonable price evaluation on behalf of the Government of Canada. When a bid is won or awarded to a Canadian company, CCC signs the contract directly with the U.S. DoD or NASA, providing the full backing and endorsement of the Canadian government. CCC's active contract monitoring assures the U.S. government buyer that all contract terms and conditions will be met. For DPSA activities, the Corporation generally pays its exporters within 30 days of receipt of an invoice and substantiating contract documentation. On those occasions where there are collection delays and payment has not yet been received from the U.S. DoD customer, CCC can make these payments utilizing its own resources while awaiting payment from the U.S. DoD. This CCC policy is aligned with broader Government of Canada direction in this area, and helps to ensure that Canadian exporters, particularly the large number of SMEs that sell through the DPSA program, are able to sustain operations through periods of cash flow fluctuation.

The Importance of the North American Defence Industrial Base

- "The [Armed Services] committee acknowledges the vital role played by the defense industrial base in supporting the Armed Forces of the United States, noting that a cost effective, healthy base that is responsive to U.S. military requirements is essential to achieving U.S. national security objectives. The committee further notes that in light of robust trade relations, a shared interest in the defense of North America, and responsibilities as the only North American allies within the North Atlantic Treaty Organization, both the United States and Canada benefit from the North American Defense Industrial Base relationship.
- Therefore, the committee is supportive of the strong, integrated, and widely dispersed industrial base in North America reflecting the economical use of research, development, and production resources, as laid out in the Department of Defense Instruction 2035.01 dated February 27, 2006. As stated in that instruction, "the Department of Defense shall maintain and strengthen defense cooperation with Canada" and "recognizes the differences in capabilities and capacities of the defense-oriented industries in the two countries" with the understanding that "the policy is based on the recognition that the United States and Canada have a mutual interest in the defense of North America."
- As noted in the National Defence Authorization Bill for fiscal 2016, passed by the U.S. House of Representatives Armed Services Committee

Aerospace, Defence and Security Sales to Global Markets

CCC launched this business line in 2009 to respond to a growing demand from Canadian exporters to expand globally. This business supports Canadian aerospace, defence and security exporters in markets beyond the U.S. with governments of allied and like-minded nations, and builds on the Corporation's experience selling to the U.S. DoD and through the U.S. FMS program. CCC guarantees that the terms and conditions of its contracts will be met, mitigating performance risk for the foreign government buyer with the added benefit of being able to build a customized solution to meet the buyer's acquisition needs much faster, and often at a lesser cost than a similar solution purchased directly from the Canadian exporter or through procurement organizations from other nations.



International Commercial Business Sales

CCC's mandate can accommodate business in virtually any industry sector, such as infrastructure, healthcare, clean technology, and renewable energy. The ICB sales business line captures all of CCC's business outside of the aerospace, defence and security sectors. The Government of Canada brand helps ensure that exporters supported by CCC are credible, ethical and competitive, which helps generate sales that may have otherwise been out of reach. CCC's government-to-government contracts help enhance the competitiveness of Canadian exporters internationally by:

- Guaranteeing that the terms and conditions of the contract will be satisfied;
- Permitting the negotiation of a fully customizable solution; and
- Ensuring Government of Canada oversight and management of the contract from signature through contract close-out.

Sourcing for Other Government Departments, and Shared Services

As a third, but non-core, business focus, CCC supports GAC in the implementation of the Government of Canada's international aid programs by assisting with the sourcing of goods and services destined for foreign recipients. As part of this assistance, CCC also works with the Government of Canada's international emergency response and reconstruction initiatives. For example, CCC engages closely with GAC's Security and Emergency Preparedness division, in order to ensure as many Canadian companies as possible can participate in Canada's international emergency response to natural disasters or reconstruction efforts.

CCC manages a network of 10 Canadian Trade Offices in China on behalf of GAC. In 2009 and in recognition of the expansive growth of China's second-tier cities, the Government of Canada approached CCC to help GAC in the establishment and management of six Canadian Trade Offices, located in Chengdu, Nanjing, Shenyang, Shenzen, Qingdao and Wuhan. In 2014, this network was expanded to include four additional offices in Hangzhou, Tianjin, Xi'an and Xiamen.

Finally, CCC has also established a comprehensive shared services arrangement with Public-Private Partnerships (PPP) Canada that generates economies of scale in providing a variety of corporate services to both organizations. This arrangement includes the provision of shared expertise in Human Resource (HR) services, Information Technology (IT) services and Legal services, amongst others.

CORPORATE GOVERNANCE

CCC is a parent Crown corporation under Schedule III Part I of the *Financial Administration Act* (FAA), and reports to Parliament through the Minister of International Trade. It has two main funding sources: appropriations voted by Parliament and fees generated by the provision of services. 2016–17 will mark the third year of a three-year plan to reduce the Parliamentary appropriation to zero, by which time fees for service will constitute CCC's single largest source of funding.

The *Canadian Commercial Corporation Act* governs the Corporation, defining its role and the governance structure of CCC's Board of Directors. The CCC Act also provides the Corporation with a range of powers, including the ability to export goods from Canada either as a principal or as agent.

In addition to the CCC Act, the core operations of the Corporation respect and are impacted by the following federal legislation:

- *Financial Administration Act* (FAA);
- *Corruption of Foreign Public Officials Act* (CFPOA); and
- *Canadian Environmental Assessment Act* (CEAA)

CCC also adheres to the *Privacy Act*, the *Access to Information Act*, the *Federal Accountability Act*, the *Public Servants Disclosure Protection Act,* and the *Official Languages Act,* and any new legislation, regulation, or policy which is extended to Crown corporations under Schedule III Part I of the FAA.

Board of Directors

Pursuant to the *CCC Act* and Part X of the FAA, the stewardship of the Corporation is the responsibility of the Board of Directors. The Board is accountable for the affairs of the Corporation and ensures the proper delivery of public policy on behalf of the Government of Canada through the provision of leadership and guidance to the Corporation's management team, and by setting the Corporation's long-term strategic direction, in alignment with the Minister of International Trade's direction expressed in the annual Statement of Priorities and Accountabilities.

The Board is composed of a Chairperson, the President and Chief Executive Officer (CEO), and not more than nine or less than five Directors. The Chairperson and the President and CEO are appointed by the Governor in Council. The remaining Board Directors are appointed by the Minister of International Trade subject to approval by the Governor in Council. Directors hold office for a term not exceeding four years, while the Chair and CEO hold office for such term as the Governor in Council deems appropriate. The Minister of International Trade appoints Board members who represent the Canadian business community and the federal government, striving to balance sector, gender, linguistic and geographical representation.

The Board conducts its oversight function through a number of subcommittees which include: the Operations Committee; the Governance and Human Resources Committee and the Audit Committee. The committees examine matters in their respective areas that come before the Board for consideration. For more information on CCC's Board of Directors and its role, please visit www.ccc.ca.

Senior Management Committee

As the CEO, the President is accountable for the direction and management of Corporation's business. With the approval of the Board of Directors, the Senior Management Committee, comprised of the President and four Vice Presidents, sets corporate priorities to achieve strategic objectives consistent with the corporate mandate. Bound by CCC's *Code of Conduct and Business Ethics,* the Senior Management Committee adheres to the highest ethical standards of professional conduct. All senior executives, with the exception of the CEO, are paid within salary ranges which are aligned with the Public Service of Canada Executive salary bands for positions classified at EX-1 to EX-5 levels. Executive compensation policies are approved by the Board of Directors. CEO compensation is governed by the Performance Management Program for Order in Council (OIC) appointees and approved by the Governor in Council on recommendation of the Board.

The Corporation has three operational business units and one corporate business unit. The three operational business units are: Business Development and Sales, Defence and Contract Management, and Legal Services. These business units position the Corporation to proactively assist Canadian exporters in generating sales, and enhance the provision of its core contract management services. The Corporation's single Corporate Services business unit ensures ongoing focus on CCC's strategy, and that the Corporation's resources, systems and risk management framework continue to support the

operational and strategic needs of the business. Each business unit is led by a Vice-President accountable for corporate performance and results.

Risk and Opportunities Committee

This committee was established as an advisory body to the CEO to address matters impacting on the overall management and direction of the Corporation through a broad consultative process. The Risk and Opportunities Committee (ROC) reviews issues at Strategic, Operational and Transactional levels, risk categories defined in CCC's Enterprise Risk Management (ERM) framework. The committee has the following roles and responsibilities:

- Promote an appropriate balance between risk management and pursuit of opportunities in the context of CCC's risk appetite, largely through the review and assessment of project pursuits at various stages.
- Make recommendations regarding project pursuits including fees, and ensure resources are aligned with approved strategies.
- Assess and ensure alignment of corporate business objectives with CCC's ERM framework.
- Make recommendations regarding external communication.

Integrity Compliance Committee

This committee was established to address ethics and integrity issues that could impact CCC's business dealings with Canadian exporters. The committee is comprised of executives from the Risk, Legal Services, Business Development and Sales, and Corporate Strategy areas of the Corporation. The committee's oversight mandate is closely linked with ROC, and its roles and responsibilities are as follows:

- Promote and uphold the highest ethical business practices in all the Corporation's business dealings.
- Ensure alignment of the Corporation's due diligence framework with international efforts to combat bribery and corruption of foreign government officials.
- Review the ethical and integrity profiles of Canadian exporters in the context of specific export opportunities, and make recommendations to ROC.

HUMAN RESOURCES

CCC is headquartered in Ottawa, Ontario and employs approximately 140 people on a full-time basis. While CCC regularly seeks skilled contracting and procurement professionals to deliver its unique services, normal attrition and nominal turnover have allowed the Corporation's staff complement to remain relatively stable over the last two years. Workforce figures for the planning period are represented in the table below, and are tied to operational requirements stemming from anticipated business growth.

CCC's Workforce

Full-time Employees	2014–15 Actual	2015–16 Forecast	2016–17 Forecast	2017–18 Forecast	2018–19 Forecast	2019–20 Forecast	2020–21 Forecast
Business Development and Sales	15	21	28	29	29	29	29
Rest of Corporation	121	117	114	114	114	114	114
Total	**136**	**138**	**142***	**143***	**143***	**143***	**143***

*Locally-engaged personnel will support the network of representative locations, but are not considered CCC employees for the purposes of this inventory; 3 such personnel will be engaged in 2016–17, and another (1) in 2017–18.

Most of CCC's employees are members of the Professional Institute of the Public Service of Canada's (PIPSC) CCC Group. PIPSC is the only union with members at CCC. The Corporation's workforce is comprised of 104 (75%) unionized employees and 34 (25%) excluded employees and executives. The Corporation's workforce is representative of multi-cultural Canadian society and exhibits a diverse set of skills, knowledge and language capacities that allows CCC to develop business and effectively manage contracts with foreign government buyers from many parts of the world.

SECTION TWO

PLANNING ENVIRONMENT

CCC continually assesses its business environment, giving particular consideration to the overall economic situation as well as specific circumstances that may be affecting the Corporation's target markets and sectors of interest. This section outlines the general global environment in which CCC expects to operate. It is based on ongoing market research, CCC's own business intelligence assessment, continuous media monitoring, experienced views from International Trade Portfolio partners and Canadian exporters.

GLOBAL OUTLOOK

While economic growth has been sluggish in the years following the financial crisis of 2008, there are signs that economic recovery has begun. The U.S. is expected to lead developed economies in 2016 with a GDP growth rate of 3.1%, matching its growth in 2015 and improving on Canada's 2% forecasted growth rate by more than half.[4] For 2016, the International Monetary Fund predicts that growth in emerging markets and developing economies will reach 4.7%, while overall global growth will reach only 3.8%.

The slump in oil prices that began in 2014 has negatively affected the Canadian economy and has placed downward pressure on the Canadian dollar. Predictions for a sub-$0.80 Canadian dollar (against its U.S. counterpart) through the medium-term will have an increasingly positive effect on exports from Canada. In the short- to medium-term, lower global commodity prices and the growing strength of the U.S. dollar are expected to continue pressuring emerging market economies, most significantly those with U.S. dollar denominated balance sheet obligations. This is particularly relevant to CCC's ongoing business development efforts in Latin America.

The BRICS association of Brazil, Russia, India, China and South Africa is expected to enjoy positive economic growth over the next five years. The BRICS association opened its New Development Bank in Shanghai on July 21, 2015 with an initial capitalization of $50 billion and a reserve currency pool of an additional $100 billion[5]. The bank was established to fund infrastructure and sustainable development projects in member states.

Economists have identified a collection of emerging economies, referred to as *the Next Eleven* and including Bangladesh, Egypt, Indonesia and the Philippines, as countries that are contending to become global economic leaders in the next decade[6]. A collective GDP growth rate of 5.9% per annum over the next 20 years is expected in these countries.[7] Similarly, Indonesia, Malaysia, Philippines, Thailand and Vietnam – collectively referred to as the ASEAN 5 – are anticipated to post a collective GDP growth rate of 6.6% per annum over the next 20 years.[8] The Philippines is anticipated to be the fastest growing economy in the region, while the largest economies will be those in Indonesia and Thailand.[9] This region has been identified as an area of growth for Canadian exporters, particularly in sectors related to defence and security, information and communication

[4] "Bank of Canada Monetary Policy Report – October 2015," Bank of Canada http://www.bankofcanada.ca/2015/10/mpr-2015-10-21/ (October 2015)
[5] "BRICS bank opens for operations in Shanghai," RT network, https://www.rt.com/business/310321-brics-bank-begins-operations/ (July 21, 2015)
[6] Frost & Sullivan. "World's Top Global Mega Trends To 2025 and Implications to Business, Society and Cultures," http://www.investinbsr.com/ipaforum/wp-content/uploads/Iain-Jawad-IPA-Forum-2014-Presentation.pdf (May 2014)
[7] "World Economic Outlook Update ," International Monetary Fund, http://www.imf.org/external/pubs/ft/weo/2015/update/02/ ,(July 2015)
[8] Ibid.
[9] Ibid.

technologies and clean technologies. Canada has built significantly on its relationship with ASEAN in recent years. In 2009, Canada appointed its first Ambassador to ASEAN, and adopted the Joint Declaration on the ASEAN-Canada Enhanced Partnership, which has as its goal to double bilateral trade in goods, services and investment between ASEAN and Canada by 2020. In 2015, Canada adopted the Canada-ASEAN Joint Declaration on Trade and Investment, which is the first trade and investment instrument concluded between ASEAN and Canada. Bilateral and multilateral framework mechanisms such as this can help set the stage for government-to-government commercial relationships.

Increasing competition, meanwhile, continues to influence international markets with governments around the world developing a variety of support mechanisms designed to increase the competitiveness of their domestic export firms and sustain domestic industries. These support mechanisms range from advantageous funding arrangements, to the provision of extensive political advocacy and a range of other cost-free services by governments on behalf of their firms.

EMERGING REALITIES

For the 2016–17 to 2020–21 planning period, CCC identified two major realities in its operating environment that could impact its business. The Changing Security Landscape and Urbanization are two global realities which continue to have particular relevance to CCC and are considered in setting the Corporation's longer-term business strategies and objectives.

The Changing Security Landscape

The dynamics which define the security landscape in the next five to fifteen years will change considerably. By 2030, many futurists predict that hegemonic power will not exist[10]. Instead, global power will have shifted to networks and coalitions in a multipolar world. Major global conflicts of the scale that were witnessed in the 20th century are not likely; rather, interstate and interregional conflicts rooted in competition for resources, terrorism, and organized crime will determine the priorities of the global defence and security agenda.

As demand for air travel increases and new markets continue to open, forecasts predict that over $5.2 trillion of new work will be created for aerospace manufacturers over the next twenty years.[11] Growing expectations for suppliers to take on more risk, increase cost savings and become more efficient are presenting both challenges and opportunities for the Canadian aerospace sector. According to the Aerospace Industries Association of Canada (AIAC), "Canada's civil aircraft production growth is forecasted to outpace the global market for the 2014–21 period (22% for Canada versus 11% for the global civil aircraft production)."[12]

In 2015, military spending in developed economies continued to decrease as the focus of defence and security turned inward towards economic stability and domestic security. The economic growth experienced by developing economies, however, is reflected in many instances by increased spending on defence and security. The European Union's Institute for Security Studies (ISS) predicts that future warfare will have a major technological aspect with the increased use of robots in an attempt to avoid human causalities.

[10] "Global Trends 2030: Alternative Worlds," United States National Intelligence Council, http://www.dni.gov/index.php/about/organization/global-trends-2030, (December 2012)

[11] Aerospace Industries Association of Canada (AIAC), "AIAC Guide to Canada's Aerospace Industry," http://aiac.ca/guide/ (2015–16)

[12] Ibid.

According to the Stockholm International Peace Research Institute (SIPRI), global military spending in 2014 was $1776 billion, having fallen by 0.4% in real terms between 2013 and 2014, the third consecutive year of decreasing spending with the largest portion of the decrease attributed to the U.S.[13] Overall military spending for 2014 decreased in North America, Europe, Latin America and the Caribbean but rose in Asia and Oceania, the Middle East, Eastern Europe and Africa. Military expenditures in the U.S. fell by 6.5% to $610 billion in 2014 as part of ongoing deficit reduction measures required by the U.S. *Budget Control Act* of 2011. Emerging markets are now spending more on defence, as increasing global competition requires countries to be able to effectively monitor and protect their borders in the interest of safeguarding their citizens.

SIPRI reports that it is unclear what impact the sharp fall in the price of oil in late 2014 may have on the large rises in military spending that have taken place in many oil producing countries in the Middle East, parts of Africa and Asia. While some producers, such as Saudi Arabia, are considered to have built up large financial reserves that should minimize implications of lower commodity prices for the foreseeable future, other countries have already cut military spending plans for 2015 as a result (e.g., Russia).

ISS predicts that a major conflagration involving chemical, biological, radiological or nuclear weapons is not likely to happen over the next two decades as wars among the great powers of the world are unlikely given their interest in preserving stability and sustaining growth to meet the needs and expectations of their populations. Wars fuelled by nationalism and extremist politics will be the main security challenge to individual nations and the global community as a whole in the coming decades.[14]

Human security, including the protection of citizens from mass violence, the protection of natural resources and access to energy, are likely to become major drivers of national security policies in light of increasing global challenges such as weapons proliferation, cyber security or instability, humanitarian crises, and organized crime.[15]

Scarcity of resources and the anticipated impacts of extreme weather patterns, whose affects are expected to worsen with climate change, present growing economic and security concerns. Demand for food, water, and energy will grow owing to an increasing global population and the consumption patterns of an expanding middle class over the next 20 years.[16] Lack of access to stable supplies of water is reaching critical proportions, particularly for agricultural purposes, and this challenge is expected to worsen in light of worldwide urbanization projections.

Health and security concerns raised by the Ebola virus disease outbreak in West Africa pushed global public health towards the top of the international security agenda in 2014. Shortcomings in national and international preparedness for managing emerging infectious disease threats were evident, and the response capacities of some national public health systems in West Africa and of international organizations were stretched to their limits.

Urbanization

The global movement towards urbanization continues at a rapid pace. More than half of the world's population resided in urban areas in 2014; by 2030, the United Nations predicts that 60% of the world's population will live in urbanized areas. Much of the growth in urban populations will take place in Asia and Africa.

Rapid urbanization will give rise to mega cities in every part of the world.[17] By 2023, the number of mega cities is expected to reach 30, and half will be in emerging and developing countries. Mega cities will be responsible for driving the largest proportion of economic growth in countries where they are located. In 2014, Tokyo, Shanghai, Mexico City, Mumbai and Sao Paulo were among the world's largest mega cities.

The conceptualization, design and eventual construction of mega cities will require an incredibly innovative approach to infrastructure design and implementation in order to permit the most cost-effective deployment of new urban technologies. Growing urbanization will correspondingly

[13] "Trends In World Military Expenditure, 2014," Stockholm International Peace Research Institute, http://books.sipri.org/product_info?c_product_id=496, (April 13, 2015)
[14] "Citizens in an Interconnected and Polycentric World: Global Trends 2030," European Union: Institute for Security Studies, http://www.iss.europa.eu/publications/detail/article/espas-report-global-trends-2030-citizens-in-an-interconnected-and-polycentric-world/ (April 27, 2012)
[15] "Global Trends 2030: Alternative Worlds," United States National Intelligence Council, www.dni.gov/nic/globaltrends (December 2012)
[16] Ibid.
[17] By definition, a mega city is one with a population of >10 million.

give rise to Smart Cities, urban environments that leverage information technology-based solutions to maximize citizens' economic productivity and quality of life while minimizing resource consumption and environmental degradation (U.S. National Intelligence Centre). Urban growth will also spur competition for resources such as food and water, and new technologies will be needed to expand resources.

Smart Cities will apply modern technologies and infrastructure, promoting more efficient and effective use of resources. Within Smart Cities, advanced IT capabilities are the foundation of urban planning, governance, resource management, physical infrastructure, communications infrastructure, building design, transportation systems, security services, emergency services, and disaster response systems. Mega projects will be required to build infrastructure, support new trade flows (airports, sea ports), and address education, health, security, and employment demands.

WHAT DOES THIS MEAN FOR CCC?

As part of the Government of Canada's International Trade Portfolio, CCC's mandate is to facilitate international trade on behalf of Canadian industry. CCC has a role to play in helping Canadian exporters to take advantage of the opportunities identified above, while also helping to mitigate risks, encouraging procurement of Canadian expertise and capability. Increasing global competition, a slowly growing global economy, reduced oil prices, climate concerns and negative foreign exchange impacts in some target markets have impacted Canadian exporters and priority markets. CCC's business strategy has taken these factors into consideration.

As a result of increasing global competition, Canadian companies are turning to CCC and the Government of Canada to bolster their competitiveness and to level the playing field with foreign competitors. Other foreign governments, including the United Kingdom, Japan, the Netherlands, Australia, Poland, Germany, France and the U.S., play an active and often very deliberate role in promoting their strategic commercial interests with foreign governments to channel business to their domestic firms to generate jobs, innovation and growth. This includes political and bureaucratic advocacy, access to credit, contracting services, and feasibility studies to mitigate risk, and is targeted to sectors of strategic interest to a particular country. As such, CCC's whole-of-government approach in facilitating international trade for Canadian exporters, which brings together the important contributions of other Government of Canada stakeholders (Ministers and senior government officials, EDC, the TCS, the network of Canadian Forces Defence Attachés, and myriad others) to bear on export sales, has never been more critical.

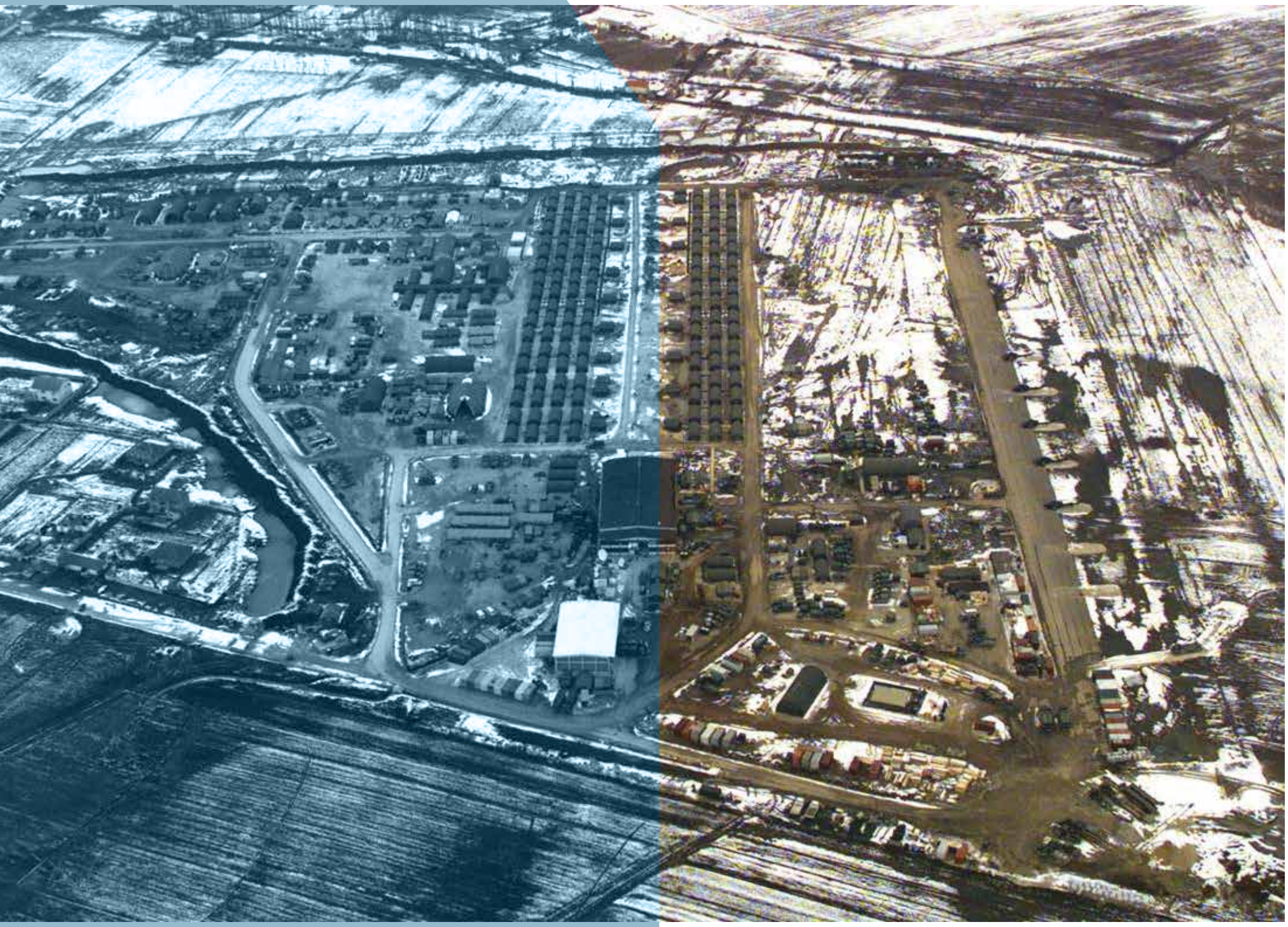
The Corporation's role in sustaining access for Canadian aerospace, defence and security exporters to the U.S. DoD market remains an important public policy responsibility, particularly in the context of an increasingly integrated North American Defence Industrial Base. CCC's advocacy efforts in Washington D.C. help ensure that Canada remains enshrined in American defence procurement legislation as part of the U.S. DoD's defence base, providing Canadian exporters with unconstrained access to U.S. DoD procurements by virtue of the DPSA. As such, the Corporation continues to play a critical role in the Canada-U.S. defence trade relationship and will support any and all Government of Canada efforts to strengthen this relationship with Canada's closest ally.

While slow global economic growth is likely to present fewer international business opportunities and greater competition, the latter may enhance CCC's value proposition with foreign buyers and Canadian exporters. Heightened focus on human security concerns, for example, will require some nations to strengthen their domestic capacity to ensure the security of their populations. Part of such capacity is an air capability that includes search and rescue and natural disaster response capabilities. Industry forecasts predict that over $5.2 trillion of work will be created for aerospace manufactures over the next twenty years.[18] Furthermore, several Asian countries are enhancing their military capabilities with a view toward improved protection of their strategic and productive assets, especially shipping lanes, ports and maritime boundaries that are critical to exports and supply chains. CCC's business development and relationship-building efforts in this area of the world may provide access to new markets and new opportunities for Canadian exporters with security specializations looking to expand their international reach to the Far East.

Diminished revenues in some oil-producing nations could impact sales for CCC as countries postpone aerospace, defence and security spending and potential investments in critical infrastructure. Conversely, in oil-importing countries, lower prices could allow for the redeployment of resources for other purposes. Moreover, the fall of the Canadian dollar vis-à-vis its U.S. counterpart will continue to help Canadian exporter profitability. While some experts believe this scenario will unfold over the longer-term, market volatility will be a key determinant in how long exporters will benefit from this foreign exchange imbalance.

The rapid pace of urbanization coupled with the economic growth predicted for emerging and developing economies presents an opportunity for CCC to leverage opportunities in non-traditional

[18] Aerospace Industries Association of Canada (AIAC), "AIAC Guide to Canada's Aerospace Industry," http://aiac.ca/guide/ (2015–16)



markets and new industry sectors to ensure sustained alignment with the needs of Canadian exporters in an ever-increasingly competitive international marketplace. Urban centers are estimated to generate 80% of a country's economic growth. Potential exists to create 'Smart Cities' which will apply modern technologies and infrastructure, promoting more efficient and effective use of resources. Clean technologies will be employed to meet the demands of large populations of Smart Cities to ensure liveability in these large urban centers. According to a recent report by Clean Energy Canada, investments in clean energy projects in emerging market economies (EMEs) – in regions such as Africa, South America and the Caribbean – climbed 36 percent since 2013. In 2014–15, developing nations together invested almost as much in new clean power generation (US$ 131 billion) as did the rest of the world (US$ 138 billion).[19]

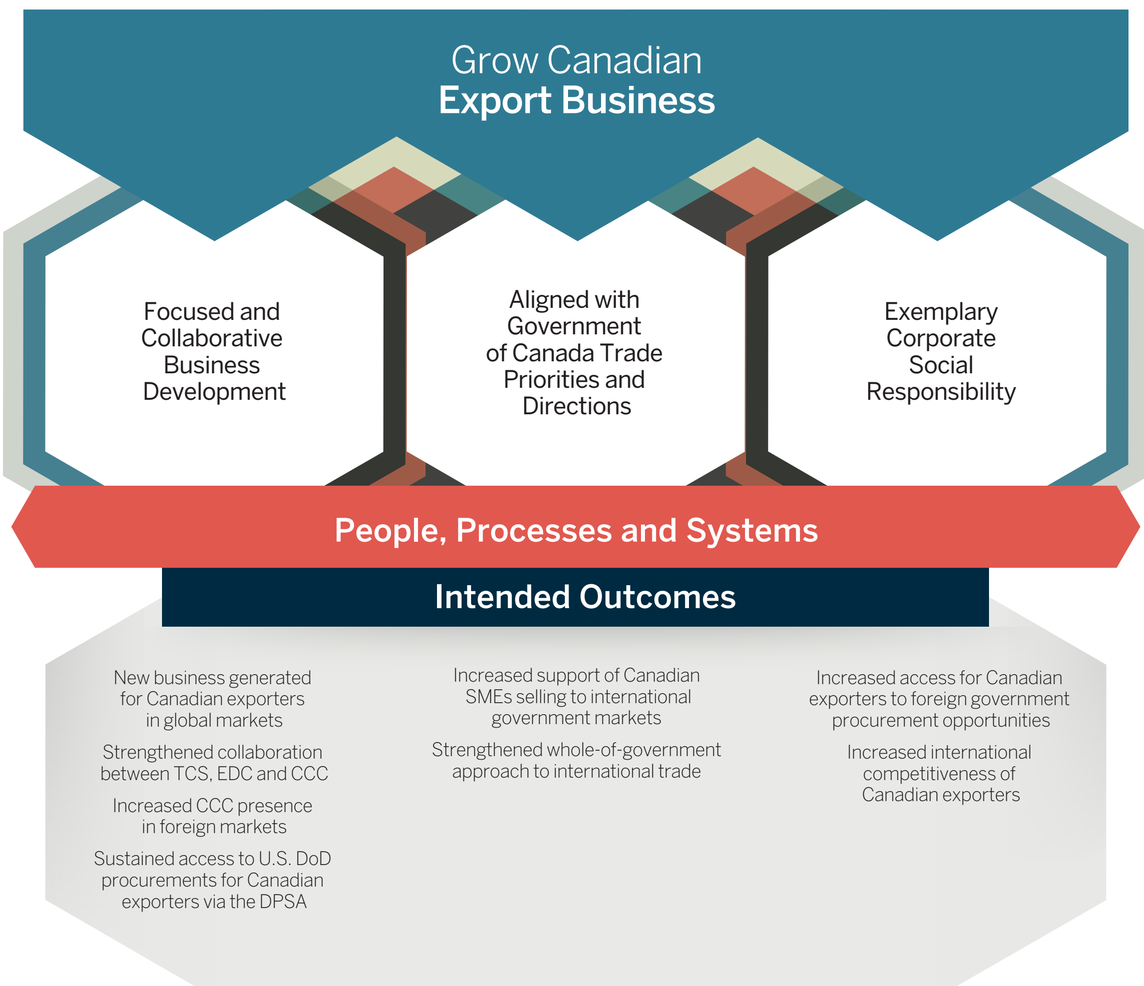
All of these growing global needs support CCC's ongoing efforts to expand its business development strategies to encourage the use of the Corporation's government-to-government contracting services by a broader selection of industry sectors. In so doing, CCC is able to further leverage and ensure optimal alignment with other Government of Canada support programs aimed at innovation, commercialization and increasing Canada's share of global exports.

[19] "Climate Change: Mounting Pressure. Scenarios for the Future", December 2015; Foresight GAC

SECTION THREE

CORPORATE STRATEGY

The Corporation's strategy for the planning period is focused on increasing access to foreign government markets for Canadian exporters. CCC will continue to support the government's broader agenda on trade, competitiveness and job creation, while examining new and innovative ways to increase operational effectiveness and contain costs. Over the course of the planning period, CCC's international contracting activities will create or sustain between 33,000 and 46,000 jobs annually in Canada.



STRATEGIC PRIORITY

GROW CANADIAN EXPORT BUSINESS

Guided by Canadian Government trade priorities, CCC will execute focused business development strategies utilizing a whole-of-government approach and enhanced relationships with exporters, buyers and other government departments to increase access for, and the competitiveness of, Canadian exporters in foreign government procurement markets on a government-to-government basis.

CCC's single strategic priority, "Grow Canadian Export Business", is based on three corporate objectives that group related business initiatives to enable a more focused approach to strategic planning, resource allocation and measuring performance.

1. *Focused and Collaborative Business Development* – strengthening relationships with partners, stakeholders and Canadian exporters, with an emphasis on target markets and improved transactional strategies, to increase business for Canadian exporters.
2. *Aligned with Government of Canada Trade Priorities and Directions* – ensuring alignment with the government's international trade priories, and managing growth by making prudent investments with a view to efficiency and cost containment.
3. *Exemplary Corporate Social Responsibility* – a focal point for CCC in its responsibility to maintain and protect Canada's reputation in international business dealings.

Success in each of the above themes is enabled by CCC's continuous pursuit of excellence in its People, Processes and Systems, and by fostering an environment of innovation and collaboration internally, with stakeholders and partners, and with Canadian exporters. This pursuit of excellence touches all of CCC's business areas, including its significant contract management capability and corporate service areas.

STRATEGIC OBJECTIVES

OBJECTIVE 1

FOCUSED AND COLLABORATIVE BUSINESS DEVELOPMENT

As the Government of Canada's export contracting agency, CCC is committed to supporting Canadian exporters in developing and accessing international markets. CCC will focus on developing and managing key relationships both at home and abroad to help build the foundations for successful government-to-government export sales. CCC will continue implementing and monitoring the array of business initiatives outlined in its 2015–16 to 2019–20 Corporate Plan with a focus on enhancing international opportunities for Canadian exporters.

CCC Foreign Representation

Critical to success in competitive international markets is establishing and maintaining trusted relationships with key stakeholders and clients. It is also important to be responsive to client requests and to be available to exchange ideas, amend plans or meet with buyers. Having an on the ground presence is fundamental to generating international business sales. For CCC, this need is compounded by the reality that the Corporation supports a broad spectrum of business markets. The elimination of CCC's Parliamentary appropriation in 2017–18 also drives the requirement for an enhanced business development focus.

As a proof of concept, representation was established in Latin America in 2015–16 to help facilitate international sales for Canadian exporters in this target market region, and has quickly strengthened relationships with foreign government buyers in Peru, Colombia, Ecuador and Chile, among others. Relationships with Canadian exporters operating in the region have also benefited from CCC's ability to take immediate actions on active pursuits, and to work closely with foreign government buyers at key decision points in their procurements. By co-locating CCC representatives within Canadian Embassies in selected countries CCC is able to effectively leverage the important support of other Government of Canada stakeholders in international trade to build strong relationships with foreign government buyers.

CCC will continue to examine and assess the business rationale for increasing the breadth of its foreign presence in Asia as well as in other regions and countries.

Through the establishment of representation abroad, CCC will achieve increased sales for Canadian exporters in regions that align with the Government of Canada's international trade priorities. Business results from establishing foreign representation are expected to account for approximately 30% of CCC's overall value of contracts signed by 2019–20. CCC's presence in foreign markets may be most important to export-ready SMEs who sell to foreign government buyers. These exporters are unlikely to maintain their own presence abroad and may be unable to optimize results without the presence of CCC in markets to pursue business on their behalf.

Sustaining Access to U.S. DoD and National NASA Procurement Opportunities

CCC's role as the Government of Canada's custodian of the Canada-U.S. DPSA ensures Canadian defence and security exporters are able to compete for U.S. DoD and NASA procurements on a level playing field with their American counterparts. CCC's work in this area allows for the U.S. to procure goods and services from Canada in a fair and efficient manner, and CCC's continued relationship development and advocacy efforts remain key components of maintaining access to this important market for Canadian defence and security exporters. CCC's DPSA work traditionally facilitates between $500 million and $600 million in aerospace, defence and security exports annually to the United States. Often, Canadian companies, many who are SMEs, use the experience gained through their work within the DPSA to expand business into other international markets.

In fiscal 2017–18, the Parliamentary appropriation that CCC has historically received to support this public policy program will be eliminated. CCC's defence and key sector activities in other markets are planned to generate sufficient funds for CCC to continue its important DPSA work. Given the strategic importance of both the Canada-U.S. defence relationship, and the DPSA as a platform for Canadian companies to build their capacity to compete on a global basis, CCC will continue supporting the Canadian defence and security commercial relationship with the U.S. through the DPSA for the foreseeable future.

Promoting a Whole-of-Government Approach to International Trade

CCC's business pursuit strategies continue to embody a whole of government approach to facilitating Canadian export sales on a government-to-government basis, leveraging important contributions of other Government of Canada stakeholders including trade commissioners, Defence Attachés, EDC, and political advocacy where and when appropriate.

CCC and the TCS will continue collaborative efforts to develop tools and messages to promote the government-to-government contracting approach to foreign governments by articulating the benefits of risk reduction for acquisitions, the time-saving advantage of this simplified approach, and the real benefits of an enhanced bilateral commercial relationship with the Government of Canada. CCC's ability to meet the needs of foreign governments with its unique contracting solution, together with a proven collaborative approach with trade commissioners around the world, is leveling the playing field for Canadian exporters in complex foreign government procurement markets. Coordination and collaboration are key components of the 2014 Memorandum of Understanding (MOU) signed between CCC and the TCS. CCC provides the TCS with marketing tools that support trade commissioner outreach efforts with a view to broadening CCC's market reach with a consistent, collaborative, whole-of-government approach.

Benefits derived by Canada via the DPSA

Jobs and Economic Growth – Over the past ten years, CCC has facilitated between $500 million to $2 billion in sales per year resulting in the creation or maintenance of between 6,000 and 18,000 jobs per year.

Long-term prosperity for Canada – Since fiscal year 2006–07 to 2014–15, CCC has transacted over 23,000 contracts and amendments worth over $11.5 billion.

Privileged access to the U.S. aerospace, defence and security market – Canada is the only country which is considered part of the American Defence Industrial Base by virtue of the DPSA.

Support to the Canadian aerospace, defence and security industries – Since 2007, CCC has worked with hundreds of Canadian companies in the DPSA business line.

CCC collaborates closely with the network of Canadian Forces Defence Attachés that operate in mission, ensuring the Corporation is able to leverage the important military-to-military relationships fostered through this network in specific markets of interest. CCC works with the Department of National Defence to provide necessary briefings and build awareness of CCC's role within this network, particularly at key posting times during the year.

Over the planning period, CCC will work closely with EDC and the Business Development Bank of Canada (BDC) to examine areas for more collaboration and seamless service provision. The Crown corporations often find themselves supporting the same clients on select opportunities, and expect the frequency of this scenario to increase. CCC will continue to explore ways to formalize information sharing between the three organizations where complementary roles are in demand on particular opportunities, and seek to increasingly leverage respective market analytics and CSR efforts in view of providing a consistent set of services to Canadian exporters.

Small and Medium-sized Enterprises

CCC supported more than 50 SMEs from all parts of Canada in 2014–15, constituting over 30% of CCC's client base that year. Most of this support was provided in the aerospace, defence and security sector, and largely through the DPSA business with the United States. According to Innovation, Science and Economic Development Canada, there are over 1.1 million SMEs in Canada, accounting for the largest section of job creation in the Canadian economy. SMEs accounted for over 40% of Canada's exports in 2011, though only a very small percentage of SMEs (approximately 10%) are exporters; an even smaller percentage actually sell directly to foreign governments and operate in a space where CCC can provide effective direct support beyond the DPSA. CCC's involvement in important Government of Canada SME export support mechanisms helps to better inform CCC as to the challenges and opportunities that SMEs face.

While CCC's intent to optimize Canadian content in all of its transactions touches many Canadian SMEs, the Corporation continues to enhance its support for this important sector of Canada's economy through increasing engagement with exporting SMEs. Through whole-of-government leadership at major international defence and security trade shows and exhibitions, CCC is often able to facilitate SME access to foreign government decision makers. In 2016–17, CCC will again increase its outreach to SME exporters across a variety of sectors, including security, health services, and clean technology to help connect SMEs to foreign government buyers and potential export opportunities. CCC's in-market knowledge in target countries, combined with its knowledge of Canadian industry, can connect SMEs to international opportunities both directly or indirectly as a supplier to a larger firm in a transaction. As well, CCC's foreign representation will greatly assist SMEs to engage in business abroad, as establishing their own foreign offices is often cost prohibitive. Over the planning period, CCC will work closely with EDC and BDC to examine SME export support in a manner which optimizes horizontal alignment of the three organizations.

Making More Effective Use of Market Intelligence

Over the last three years, CCC has made great strides in strengthening relationships with its International Trade Portfolio partners, the TCS and EDC, as well as the Defence Attaché network of the Canadian Forces. From a market intelligence perspective, CCC will continue building on the strength of its Portfolio relationships, and engage with other Government of Canada stakeholders when and where appropriate, to ensure that CCC's business development strategies and decisions are informed by the most accurate, shared views on markets, specific opportunities and potential areas for enhanced support.

OBJECTIVE 2

ALIGNING WITH GOVERNMENT OF CANADA TRADE PRIORITIES AND DIRECTIONS

CCC remains an important tool in the Government of Canada's suite of support resources for Canadian exporters. CCC also remains committed to containing costs while making prudent investments in growing its business. CCC will continue to align its business in several ways, all of which seek to leverage government priorities and directions in international trade.

Aligning with Trade Priorities

The alignment of CCC's business development activities with Government of Canada trade priorities, including the Government's planned export promotion strategy and investments in clean technology producers, will be two areas of focus for the Corporation throughout the planning period. The Government has made it clear that it will focus on expanding trade with large fast-growing markets, including China and India, and will deepen trade links with traditional partners. CCC's target market regions – the U.S., the Middle East, Latin America and Asia – align well with these trade priorities and have been identified as markets where Canadian exporters have significant potential business. Over the planning period, CCC will work collaboratively with GAC, EDC and BDC to optimize horizontal alignment for Canadian exporters.

Given the Government of Canada's focus on creating a supportive framework to help increase exports from Canada's growing clean technology sector, CCC will work collaboratively with other Government of Canada stakeholders (Innovation Science and Economic Development Canada, National Research Council, Environment Canada) where appropriate, as well as with other members of the International Trade Portfolio (TCS, EDC) to examine where a government-to-government procurement option could help boost export sales for Canadian companies, including SMEs.

Cost Efficiency and Effectiveness

CCC's primary focus is on growing business for Canadian exporters. In the context of a declining Parliamentary appropriation which will decrease to zero in 2017–18, CCC will continue to make investments in its business development approaches and capacity to ensure the Corporation remains financially sustainable through its revenue-generating business activities well into the future. CCC commits to making these and other investments in a prudent manner, and to controlling discretionary costs in a manner that is efficient and effective.

OBJECTIVE 3

EXEMPLARY CORPORATE SOCIAL RESPONSIBILITY

CCC strives to uphold its values of integrity and honesty in all business dealings at home and abroad and supports the Government's commitment to improve Canada's leadership in the world. These values reflect Canadian values, and the Corporation's commitment to them helps level the playing field for Canadian exporters competing in challenging international markets. The Corporation's commitment to CSR has become part of CCC's value proposition and provides assurance to both buyer and supplier that all its business dealings are held to the highest ethical standards. The Corporation continuously evaluates its CSR framework, and has strengthened its policies and guidance in this area over the last three years.

Combatting Bribery and Corruption

In February 2013, the Government of Canada tabled amendments to the CFPOA to further deter and prevent Canadian companies from bribing foreign officials.

Over the past three years, CCC has focused its internal policy guidance into a *Code of Conduct and Business Ethics*, which clearly and consistently articulates ethical expectations for all CCC employees. In addition, CCC enhanced its due diligence framework in the areas of anti-corruption and bribery. CCC's approach aligns with international best practices regarding the prevention of bribery and corruption, and helps identify potential ethical issues at the earliest stage of business engagement with a potential Canadian exporter.

CCC will continue its efforts to combat bribery and corruption in all its business dealings, building a shared awareness internally and within the exporter community of the importance of high ethical behavior. Throughout the planning period, CCC will continue to undertake regular staff training, ongoing consultation with other Government of Canada partners and stakeholders, and will enhance its engagement with Canadian exporters on these important matters.

PEOPLE, PROCESSES AND SYSTEMS

The strength of CCC's people, processes and systems continues to drive efficiency and effectiveness gains on a year-over-year basis. CCC is committed to ensuring it remains an employer of choice, and in the context of Canada's constantly changing demographics, the Corporation recognizes the need to focus on the strategic recruitment and development of its specialized workforce.

The Corporation's annual survey of its workforce of approximately 140 people regularly indicates that employees are satisfied with their work and pleased with the Corporation's direction. Process improvements continue to occur through a culture of continuous business improvement. CCC's systems are continually updated to ensure that they align with CCC's business and reporting requirements and also that employees continue to have access to the right tools to do their jobs effectively and efficiently. All in all, CCC strives to embody a culture of commitment to success founded on continuous business improvement.

CCC seeks to remain a workplace of choice for employees. The Corporation recognizes that its workforce needs to be particularly and uniquely skilled to help Canadian exporters compete in foreign government procurement markets in order to effectively manage a broad portfolio of complex contracts. Succession planning, organizational flexibility, and ensuring the right people are in the right jobs, are key strategic human resource initiatives, along with a continued focus on leadership development.

In 2016–17, CCC will consider structural and developmental recommendations flowing from a 2015–16 analysis of the Corporation's business development skills inventory. The recommendations will help identify workforce-related risks to ongoing business delivery and outcomes achievement. CCC will also complete an investment in succession planning that began in 2015–16, with a long-term view to ensuring the sustainability of the Corporation's specialized workforce from the working level through to senior management. Finally, the Corporation continues to focus on leadership development and the evolution toward a leadership culture at CCC, strengthening the foundation for sustained productivity and business growth.

Enterprise Resource Planning (ERP) system modernization – CCC implemented an Agresso ERP system in 2008–09. The system is updated on a regular basis to maintain pace with business requirements and in 2016–17 will undergo the addition of an expanded Human Resources module.

Client Relationship Management (CRM) – the Corporation implemented a CRM system in 2014–15, the objective of which was to increase CCC's ability to focus its business development efforts. The system achieves this by allowing the tracking of key performance indicators intended to drive desired sales behaviour and maximize the return on CCC's business development investment.

Employee learning and development – CCC strongly supports employee learning and development with an innovative benefit that provides flexibility in the learning and development program and allows employees to tailor learning to their needs. This benefit, which implies a shared responsibility for career planning between employees and their supervisors, fosters an overall learning culture across the Corporation and is unique within a public sector setting.

Employee rewards and recognition – an important component of CCC's retention strategy, the Corporation's rewards and recognition framework encourages regular recognition of employees who continually strive for excellence in helping CCC achieve its objectives in support of Canadian exporters. Employee achievements are celebrated through events such as the annual rewards and recognition ceremony, an annual staff activity day, an annual holiday gathering and in regular townhall addresses by the President and CEO. Supervisors also have access to 'spot awards', permitting the immediate recognition of an employee's achievement outside the annual rewards and recognition cycle.

MEASURING SUCCESS – CCC'S SCORECARD

CCC's 2016–17 performance measurement strategy builds on the scorecard introduced in the 2015–16 Corporate Plan. The scorecard includes a series of high-level indicators that help track the Corporation's progress against the implementation of its strategy.

Value of Contracts Signed

This measure provides an order of magnitude of the amount of international business CCC has facilitated or won with Canadian exporters. The Corporation tracks value of contracts signed by business line, by region and country, and by exporter as an indicator of effectiveness, in order to identify and learn from trends. CCC expects value of contracts signed to grow by 3–5% on a year-over-year basis in the early years of the planning period, and more substantially in later years as the establishment of foreign representation matures.

SME Transactions

Consistent with CCC's objective to enhance its engagement with SMEs, this SME-specific measure helps CCC better understand its impact on Canadian SMEs that sell to foreign governments. The measure represents the number of SMEs with contracts via CCC in a given period. CCC expects this figure to grow moderately over time as the Corporation continues to develop and implement strategies to more effectively serve this target group of exporters in expanding their sales globally.

Exporter Confidence

CCC's domestic outreach strategy has led to an increased number of Canadian exporters seeking the Corporation's services. This measure represents the number of Canadian exporters in a given period who have sought CCC's government-to-government export support, determined by the number of new leads opened in CCC's CRM system for that period.

CCC expects this measure to grow moderately on a year-over-year basis, but recognizes that it is susceptible to the state of the global economy (export opportunities are likely to diminish in years of recession or stagnation) and the size and export readiness of Canadian aerospace, defence and security suppliers (who form the largest percentage of CCC's client base).

Net Promoter Score (NPS)

Similar to the manner in which some businesses track client confidence, this is a net measure of CCC's reputation and the likelihood that a Canadian exporter would recommend CCC's services to another company. Consistent with international benchmarks, an NPS result of 70 or greater is considered a strong result for this important client feedback indicator.

Core Administrative Expenses to Net Revenues and Appropriation

Stemming from CCC's efforts to contain costs and continuously seek more efficient means of conducting its business, this measure tracks how well CCC uses its resources. Over the course of the planning period, CCC expects this ratio to gradually decrease, approaching 75% in 2020–21 as revenues grow and efforts to control costs continue.

Net Employee Satisfaction Score

This is an aggregate measure of the extent to which employees believe the Corporation succeeds in four areas: fostering innovation; facilitating learning and development; rewarding leadership; and supporting healthy work/life balance. A result >85 is considered reflective of strong performance across these four areas.

CCC'S PERFORMANCE SCORECARD: 2016–17 THROUGH 2020–21

Performance Measure	2014–15 Actual	2015–16 Plan	2015–16 Forecast	2016–17 Target
Value of Contracts Signed	$1.25B	$1.26B	$1.25B	$1.19B
SME Transactions	51	65	54	60
Exporter Confidence	145	≥ = 100	135	150
Net Promoter Score[1]	N/A	74–80	≥ = 70	≥ = 70
Core Admin Expenses to Net Revenues and Appropriation	70.4%	77.7%	71.8%	83.7%
Net Employee Satisfaction Score	92	87.5	87.5	≥85

[1] A client survey was not undertaken in 2014–15 and therefore, a Net Promoter Score is unavailable. The client survey will be conducted on an annual basis in 2015–16 onward.

SECTION FOUR

FINANCIAL PLAN

4.1 OPERATING BUDGET, CAPITAL BUDGET AND BORROWING PLAN

This section of the Corporate Plan outlines CCC's operating budget, capital budget and borrowing plan. It also includes the Corporation's proforma financial schedules, financial objectives and five-year key planning assumptions. It concludes with the Corporation's forecast for the remainder of 2015–16.

4.2 OPERATING BUDGET FOR 2016–17

The planning objectives and assumptions used to forecast the Operating Budget for 2016–17 and in subsequent years are detailed and discussed in Section 4.5 – Financial Objectives as well as in Section 4.6 – Five-year Key Planning Assumptions.

CCC is budgeting for an operating surplus of $80 thousand in 2016–17 with net revenues of $29.8 million.

In 2016–17, net revenues (which exclude the Parliamentary appropriation) will increase to $29.8 million from $28.1 million in the 2015–16 forecast, an increase of $1.7 million or 6%, almost entirely related to the Armoured Brigades Program (ABP). The ICB business line is expected to contribute signed contracts in excess of $550 million in Latin America, Africa and Asia in 2015–16. A large portion of these contracts will be delivered in 2015–16, on which fees for service are earned. This recent success is directly attributed to a growth in awareness of CCC's value proposition, made possible through the redeployment of resources in business development over the last two years.

The Corporation's appropriation is being gradually phased out in accordance with a three-year plan which began in 2014–15. Over the course of the five-year planning period, CCC will reduce the appropriation to $3.5 million in 2016–17 (from $8.9 million in 2015–16) and then to zero in 2017–18 and for future years. Notwithstanding the elimination of the appropriation, CCC will continue to work closely with other Government of Canada departments and agencies in managing corporate risks.

Overall administrative expenses will increase to $32.5 million in 2016–17 from $32.3 million in 2015–16, a net increase of $0.2 million, or less than 1%. The net increase will result primarily from: an increase of $1.1 million related to the increased effort and associated expenses required to manage the ABP contract; an increase of $1.2 million related to direct expenses for the establishment of foreign representation; both of which are offset by one-time costs of approximately $2.1 million related to the Corporation's lease and its September 2015 move to new office space.

In 2016–17, contract remediation expenses are budgeted at $0.8 million, lower than the $1.3 million average annual contract remediation expenses incurred over the past ten years. CCC's confidence in this low level of budgeted contract remediation expenses stems from its robust risk and contract management practices.

A more fulsome discussion follows under Section 4.5 – Financial Objectives and Section 4.6 – Five-year Key Planning Assumptions.

4.3 CAPITAL BUDGET FOR 2016–17 TO 2020–21

Management negotiated a new lease for office space to achieve future cost reduction goals. As a result, the Corporation moved its office to another location, which involved an extensive renovation of floor space to satisfy operational requirements. During 2015–16, $164,000 will be capitalized and amortized over the fifteen-year term of the lease, representing the amount of the renovation expenses net of renovation allowances offered by the new landlord.

Other expenses related to the termination of CCC's former leasing agreement and relocation to the new premises were expensed through 2014–15 and 2015–16 as they were deemed to have no future benefit. A more fulsome discussion related to this initiative can be found under the portion of Section 4.5 – Financial Objectives specifically pertaining to Cost Efficiency Initiatives.

The acquisition of intangible assets in year 2017–18 represents the capitalization of the investment costs to upgrade and overhaul financial systems after ten years of use. The capitalized amount will be amortized over the course of five years deemed to be the useful life-span.

In addition, standard purchases of equipment, furniture and fixtures required by CCC annually, which total approximately $250,000, are included in the Corporation's Operating Budget.

A table identifying capital budget needs for CCC for the period 2016–17 to 2020–21 follows:

Description	2016–17	2017–18	2018–19	2019–20	2020–21
Acquisition of property and equipment – Leasehold improvements	$–	$–	$–	$–	$–
Acquisition of intangible assets – IT investment	$–	$3,500K	$–	$–	$–
Total capital budget request	$–	$3,500K	$–	$–	$–

4.4 BORROWING PLAN FOR 2016–17 TO 2020–21

In this Corporate Plan, CCC is seeking Ministerial approval to borrow up to $40.0 million or its U.S. dollar equivalent from various financial institutions.

The Corporation has working capital requirements to facilitate the DPSA and NASA programs. CCC pays Canadian exporters on a select portion of DPSA and NASA contracts within 30 days of receipt of invoices, and requires access to an operating line of credit as a prudent safeguard in the event that the U.S. DoD or NASA does not pay their invoices within the same time period. For 2016–17, the Corporation requests $40.0 million in Canadian currency or its U.S. dollar equivalent as CCC borrows in U.S. currency to avoid foreign exchange risks. Consistent with previous years, CCC is requesting up to 120 day repayment terms per invoice against which it has borrowed. The Corporation expects to borrow Canadian currency at the Canadian prime rate and U.S. currency at the U.S. prime rate.

A table identifying borrowing needs for CCC for the period 2016–17 to 2020–21 follows:

Description	2016–17	2017–18	2018–19	2019–20	2020–21
Short-term borrowing for DPSA and NASA (up to 120 days)	$40M	$40M	$40M	$40M	$40M
Total borrowing request	$40M	$40M	$40M	$40M	$40M

4.5 FINANCIAL OBJECTIVES

For CCC to achieve its overall business objectives, the following financial objectives will be pursued:

Enterprise Risk Management

The Corporation's risk management strategy recognizes and balances risk in the context of meeting corporate objectives. The Corporation's ERM framework defines the risk management process as the identification, assessment, mitigation, monitoring, communication and training of risk management issues. This framework is updated annually and presented to the Board of Directors for approval.

The framework focuses on three broad risk categories: strategic, operational, and transactional. The Corporation's risk appetite and tolerance statements provide the appropriate guidance to ensure that risks are identified and managed to stay within appropriate limits. The ERM framework also identifies risk owners and risk roles within the Corporation. Responsibility for risk management is cascaded throughout the Corporation commencing with the Board of Directors and its Audit and Operations Committees, who ensure that CCC's risk management strategy is current, effective and reviewed regularly. CCC's Management creates and maintains the Corporation's risk structures, policies and procedures. These are managed under the stewardship of the Corporation's ROC.

Risks are managed under the following headings:

- **Strategic Risks (Mandate, Organizational, Reputational, Business Environment and Financial)**

  The key strategic risks facing CCC continues to relate to the business environment and reputational issues.

  A slowing Chinese economy, reduced oil prices and climate concerns have impacted some of the Corporation's key target markets. Corporate Plan targets consider these impacts and Management believes the targets to be achievable in the longer-term.

  The Corporation's success in markets is also largely dependent upon its reputation and brand awareness. Unforeseen economic or political events in foreign markets could affect CCC's brand, thereby making it more difficult to meet corporate objectives, impacting its ability to secure or engage in project work and bringing negative attention to the Corporation.

  Financial risk remains low for the near-term given the absence of financial claims against the Corporation and significant revenue levels being generated. To further strengthen financial management, the Corporation is completing a review of its capital allocation methodology. A new model will be implemented within the first year of this Corporate Plan.

  Mandate and Organizational risks also remain low as the Corporation's services fit within its defined mandate and the organizational structure supports the Corporation's long-term goals. A strengthened approach to business development via the establishment of foreign offices further ensures that the Corporation will be able to meet its mandate in assisting Canadian suppliers. No significant changes in these two risk areas are expected during the planning period.

- **Operational Risks (Information Management, Information Systems, People, Policies and Processes and Business Continuity Planning)**

  Operational risk remains low for the Corporation. No significant issues resulted from the move to the Corporation's new facilities and staff has adjusted to the new workspace.

  Initiatives that support the Corporation's management of Operational risk during the upcoming planning period include the negotiation of a new labour agreement, business continuity plan testing, focus on information and cyber security and improving the integration of security practices related to the Corporation's assets, information and people.

- **Transactional Risks (Supplier Performance, Foreign Environment, Contract, Foreign Exchange, Fraud, Corporate Social Responsibility)**

  Foreign exchange risk continues to remain elevated due to currency volatility. The recent depreciation in the Canadian dollar should benefit the competitiveness and profitability of many Canadian suppliers. In time, it should positively impact the Corporation's value of contracts signed and its fee revenues.

  In this uncertain economic environment, foreign exchange trends could reverse quickly and undo some of the benefits that the Corporation and its suppliers have recently enjoyed. Management minimizes foreign exchange risk by maintaining negligible USD cash balances for operational purposes.

  Foreign environment risk remains low as the Corporation's only credit risk relates to its accounts receivables due from the U.S. federal government. As the U.S. federal government remains a AAA credit risk, it is deemed to be a risk free creditor. The Corporation's Integrity Compliance Committee (ICC) has undertaken initiatives that have strengthened risk management related to Fraud, CSR and Contracts. The ICC will continue its work in these areas during the planning period.

  Due diligence with respect to supplier capabilities continues to be strong. The performance risk related to the portfolio of suppliers remains low as there are no outstanding claims against the Corporation for failed supplier performance. During the planning period, due diligence efforts will continue to evolve to assist the Corporation in assessing risk related to new opportunities.

Growing Commercial Trading Transactions and Fees for Service

Commercial trading transactions reflect the deliveries and work performed by Canadian exporters contracted by CCC. The Corporation will continue making prudent investments in business development in order to develop a robust pipeline of business opportunities linked to growth in commercial trading transactions and fees for service in future years. This business objective is paramount given the decision to reduce CCC's Parliamentary appropriation to nil in the interest of financial sustainability by 2017–18.

In CCC's Statement of Priorities and Accountabilities (SPA), the Minister of International Trade recognized the uniqueness of CCC within the International Trade portfolio and in order to sustain a model of self-sufficiency beyond 2020–21 (when fees for service related to the ABP contract are expected to decrease substantially), supports the Corporation's need to make investments in business development now to generate sufficient revenues over the medium and long-term. Accordingly, CCC's 2016–17 Corporate Plan includes the estimated financial implications of establishing foreign representation in four select markets. Detailed assumptions are included in Section 4.6 – Five-year Key Planning Assumptions.

CCC's five-year business development strategy utilizes a whole-of-government approach that leverages the important contribution of Defence Attachés, trade commissioners and political advocacy when appropriate to win business. These business development efforts are aligned with the Government's international trade priorities.

In defence markets, CCC will focus efforts to increase access for Canadian exporters to the U.S. DoD and NASA markets under the DPSA (where fees are not charged), and to identify new clients and markets that would benefit from the Corporation's services. Engaging new exporters and foreign customers will expand the Corporation's client base and afford opportunities for revenue growth while maintaining focus on the U.S. DoD and NASA markets despite ongoing defence budget reductions. CCC will work with its base of exporters that are export ready in global defence and security markets, including export-ready SMEs, leveraging Canadian and U.S. aerospace, defence and security related procurements to open new markets with allied and like-minded nations.

In emerging and developing markets, CCC will support Canadian exporters in infrastructure and commercial products and services, and increase access to complex and difficult markets by offering a more fulsome solution, inclusive of links to financing relationships, contract structuring, contract management, quality assurance and operational knowledge transfer.

Capital Requirements

The Corporation determines its required capital by assessing the operational and performance risk of its individual business and service lines.

The Corporation's capital base was reduced to \$12.5 million after a payment of capital was made to the Government of Canada on March 31, 2014.

The Corporation's capital base is expected to grow through the Corporate Plan period from \$12.5 million at the beginning of 2014–15 to \$42.2 million by the end of 2020–21. CCC will continue to strengthen its financial position by growing its capital base through prudent investment strategies, including, but not limited to: reviewing its alignment of resources, management structure and future activities to identify specific initiatives or measures that could be undertaken to ensure continuous cost containment; keeping contract remediation costs at a minimum and exploring ways to utilize CCC's capital to support innovation.

Cost Efficiency Initiatives

CCC has implemented cost efficiency initiatives to ensure services are delivered to Canadians at best value. In assessing potential savings, CCC has focused on achieving efficiencies from its operations, as well as reviewing business processes and service platforms.

Specifically:

- CCC will continue to assess staff levels and achieve related cost efficiencies where possible by continuously reviewing and improving its alignment between the Corporation's resources and operational activities.
- Combining cost management and cost avoidance objectives, CCC continues to insource certain services historically provided by PSPC. Implications from achieving these objectives have been twofold. First, the annual amount paid directly to PSPC decreased from $4.2 million in 2012–13 to approximately $3.0 million in 2016–17 and onward; and second, CCC's DPSA Business Process Improvement Initiative resulted in the avoidance of several million dollars more over the same period (for example, PSPC's cost recovery methodology had estimated future costs of their services to increase from $6.2 million, starting in 2011–12).
- As referred to under Sections 4.2 – Operating Budget for 2016–17 and 4.3 – Capital Budget for 2016–17, Management has negotiated a new lease for office space to achieve future cost reduction goals. In order to do so, the Corporation exercised its right to terminate its former lease. This decision required a one-time payment of $1.8 million. Had CCC remained in its previous lease arrangement, which would have expired in 2019–20, it would have paid approximately $2.0 million annually for the next five years. Under the new lease, CCC's rent will decrease to approximately $1.4 million per year, notwithstanding the one-time payment in year one, with additional savings to accrue beyond the five-year planning period. In addition to cost savings, the move has helped drive workflow improvements through optimizing the location of functional groups throughout the new space, strengthening collaboration within and amongst teams while laying a foundation for an effective shift in the organization's culture.
- CCC has established a shared services arrangement with PPP Canada to generate economies of scale in providing a variety of corporate services to both organizations. CCC has historically recovered $750,000 annually to cover related direct and indirect costs.
- In this Corporate Plan, CCC will control general non-business development travel, hospitality and conference expenses by maintaining them at 2015–16 levels. Excluding travel required for the Corporation's Board of Directors, the total of these expenses is approximately $125,000 per year.

CCC will continue to develop and implement cost efficiencies to ensure they remain in step with increases in fee-based revenues, consistent with the Corporation's cost containment philosophy. This commitment has guided the manner in which CCC has responded to the challenges of the past year and signifies ongoing efforts to position CCC for future success and growth.

4.6 FIVE-YEAR KEY PLANNING ASSUMPTIONS

The Corporation has made the following five-year planning assumptions in projecting the major components of its operating budget.

The single most significant planning assumption used in the development of the five-year Corporate Plan is the establishment of foreign representation in select markets. The initial plan called for the establishment of representation in two markets by the end of 2015–16 as proofs of concept, with plans to expand into two additional markets (for a total of four) by the end of 2017–18. Representation was successfully established in South America in 2015–16; 2016–17 will see expansion to two additional markets, with a fourth option to be explored in 2017–18.

The contribution to the value of contracts signed, commercial trading transactions and fees for service are based on the following assumptions:

- New projects are not signed and effective until two years after representation is established;
- An established representative contributes one large and two small GS projects per year, growing to four small GS projects by 2020–21;
- An established representative contributes one small ICB project per year;
- An established representative contributes one large ICB project once every three years, though from a conservative perspective, only one such project is forecast in 2019–20 as a result of foreign representation; and

- Project sizes are defined as: large GS= $75 million; small GS= $10 million; large ICB= $125 million; and small ICB= $10 million. The project sizes were based on a review of all current pipeline projects and signed projects over the last several years.

Value of Contracts Signed (VCS)

- GS includes sales made under CCC's DPSA program to the U.S. DoD and NASA, as well as global sales activity with other international governments. Contributions to the value of contracts signed by each program within the GS business line are forecast as follows:
  - DPSA – The value of contracts signed related to CCC's DPSA program including major light armoured vehicle (LAV) projects, is planned to remain at traditional DPSA core activity of $550.0 million annually, amounts which were prevalent before the extraordinary LAV sales to foreign governments through the U.S. DoD FMS, which commenced in 2001–02 and for which deliveries and their related commercial trading transactions are expected to continue through 2016–17. Although the U.S. government has reduced spending on defence, it is anticipated that the procurement components of this spending will remain constant and stable throughout the five-year planning cycle.
  - Global – Based on the Corporation's current pool of leads and potential projects and the establishment of foreign representation, CCC is planning for its value of contracts signed to grow from $150.0 million in 2016–17 to $628.8 million in 2020–21. Quality leads have been developed and continue to emerge in Latin America, Asia and several countries throughout the Middle East. In 2020–21 of the $628.8 million in value of contracts signed, $380.0 million in total is estimated to be contributed by the establishment of foreign representation in 2015–16 through to 2017–18, an average of $95.0 million per market.
- ICB – Based on the Corporation's current pool of leads and potential projects and the establishment of foreign representation, CCC is planning for its value of contracts signed to grow from $450.0 million in 2016–17 to $680.1 million in 2020–21. Quality leads have been developed and continue to emerge in Latin America, the Caribbean, the Middle East, Africa, and Asia In regards to lottery system management projects, the value of contracts signed are recorded at 100% of the value of lottery sales made during the course of the year and are forecast at approximately $200.0 million annually throughout the five-year planning cycle based on current levels. With respect to the Cuba contracting program, the value of contracts signed are forecast at $50.0 million annually throughout the five-year planning cycle based on traditional core activity and capped due to risk related financial restrictions. In 2020–21 of the $680.1 million in value of contracts signed, $205.0 million in total is estimated to be contributed by the establishment of foreign representation in 2015–16 through to 2017–18, an average of $51.3 million per market.
- Sourcing Services – In 2007, CCC signed an MOU with GAC (formerly the Department of Foreign Affairs, Trade and Development Canada) to deliver goods and services for international programs and assist the Department in meeting its global stabilization and reconstruction priorities. This activity is dependent exclusively upon GAC and other Government of Canada requirements with a large majority of the forecast activity based on the Corporation's involvement with GAC's Global Partnership Program, *Anti-Crime Capacity Building Program*, Global Peace and Security Fund and the Counter-Terrorism Capacity Building Program. CCC is planning for its value of contracts signed to remain constant and stable throughout the five-year planning cycle at $10.0 million per year. Generally, these transactions tend to be smaller in value and scope.

Commercial Trading Transactions (CTTs)

Commercial trading transactions measure the value of delivery of a good or service or the progress of work once a contract is signed and becomes effective. Fees for service are earned as deliveries are made or as work is performed. As such, the assumptions made to estimate the timing of when deliveries are made and work is performed are important considerations in building the CTT forecast. Several factors are considered when determining the average rate of completion of all contracts signed in a given year. Factors such as the duration of the contract, the number of specific deliverables or milestones and at what point in time during the year the contract is signed and effective. All of these factors are weighed by business line to determine an average rate to apply to the forecasted value of contracts signed value.

Based on an analysis of historical delivery and work completion trends, the following assumptions are applied to the forecasted value of contracts signed value to derive commercial trading transactions and fees for service, where applicable:

- Contributions to commercial trading transactions by the two programs within the GS business line are forecast as follows:
  - DPSA – Once a contract is signed and effective, on average 30% of contractual obligations (primarily deliveries) are completed in the first year or the year in which the contract is signed and effective, 55% in the second year and 15% in the third year. DPSA commercial trading transactions are expected to be stable throughout the five-year planning cycle approximating $550 million annually.
  - Global – Generally, once a contract is signed and effective, on average 25% of contractual obligations are completed in the first year, 40% in the second year and 35% in the third year. Commercial trading transactions related to the ABP contract are included as specified in the contract. GS commercial trading transactions are expected to grow from $1.8 billion in 2015–16 to $3.1 billion in 2018–19 during the peak of the ABP contract then decrease to $2.4 billion in 2020–21. In 2020–21 of the $2.4 billion in commercial trading transactions, $330.1 million in total is estimated to be contributed by the establishment of foreign representation in 2015–16 through to and 2017–18, an average of $82.5 million per market.
- ICB – For most infrastructure projects, once a contract is signed and effective, on average 25% of contractual obligations are completed in the first year, 40% in the second year, 30% in the third year and 5% in the fourth year. The Corporation has signed lottery system management projects in Nicaragua and Honduras which continue to contribute to value of contracts signed, commercial trading transactions and fees for service for the foreseeable future. Commercial trading transactions are recorded at 100% of the value of lottery sales made during the course of the year and are forecast at approximately $200.0 million annually throughout the five-year planning cycle based on current levels. For contracts the Corporation has with Cuba, once signed and effective, on average 70% of contractual obligations are completed in the first year, 25% in the second year and 5% in the third year. ICB commercial trading transactions are expected to grow from $417.9 million in 2016–17 to $614.3 million in 2020–21. In 2020–21 of the $614.3 million in commercial trading transactions, $148.3 million in total is estimated to be contributed by the establishment of foreign representation in 2015–16 and 2017–18, an average of $37.1 million per market.
- Sourcing Services – Once a contract is signed and effective, on average 70% of contractual obligations are completed in the first year, 20% in the second year and 10% in the third year. Sourcing Services commercial trading transactions are expected to be stable throughout the five-year planning cycle approximating $10.0 million annually.

Fees for Service

- Contributions to fees for service by the two programs within the GS business line are forecast as follows:
  - DPSA –CCC does not receive fees for service for this business. This business has historically been fully funded by an annual Parliamentary appropriation. Given the three-year phased-in plan to eliminate the appropriation by 2017–18, the Corporation will fund the delivery of its DPSA services with revenues generated in other parts of the business. This approach leverages many of the same Canadian exporters benefitting from both Global and DPSA elements of GS. From historical levels of $15.5 million, the appropriation was reduced to $14.7 million in 2014–15, and $8.9 million in 2015–16. It will be further reduced to $3.5 million in 2016–17, after which it will be nil from 2017–18 and onward.
  - Global – commensurate with the expected growth in commercial trading transactions discussed previously, fees for service are expected to grow in proportion. Fees are established based on CCC's pricing model which includes consideration for a variety of risk factors. Fees are recognized as revenue by applying a fee rate (negotiated and specific to each contract) to the value of the recorded commercial trading transactions, that is as goods and services are delivered or progress work is performed. For forecast purposes, an average fee rate is applied to the Corporation's expected GS commercial trading transactions over the five-year planning period. GS fees are expected to grow from $18.2 million in 2016–17 to $27.7million in 2019–20 during the peak of the ABP contract then decrease to $24.7 million in 2020–21. By 2020–21, CCC

estimates that approximately 27% ($6.6 million of the forecasted $24.7 million) of GS fees will be generated by established foreign representatives, an average of $1.7 million per market.

- ICB – Fees are established based on CCC's pricing model which includes consideration for a variety of risk factors. Fees are recognized as revenue when goods and services are delivered. ICB transactions include fixed fees for the annual contract management of the lottery systems program; contract management and administration fees applied to approximately $50.0 million of deliveries under contracts with Cuba; and an average fee rate applied on all other ICB activity, including infrastructure projects. ICB fees are expected to grow from $5.9 million in 2016–17 to $10.8 million in 2020–21. By 2020–21, CCC estimates that approximately 34% ($3.7 million of the forecasted $10.8 million) of ICB fees will be generated by established foreign representatives, an average of $0.9 million per market.
- Sourcing Services – For the last several years CCC has charged a fixed fee of approximately $1.0 million annually and a variable fee of on average 2% on all projects depending on the size of the project to cover all direct and indirect CCC administration costs of in excess of $1.6 million. These rates are negotiated with GAC on an annual basis and are subject to fluctuations in international assistance obligations. As a result, CCC has conservatively capped fees for this program at $1.0 million per year for the duration of this Plan. Over the planning period, CCC will assess the sustainability of this service and, in the interest of efficiency, may make changes to how it gets delivered.
- Other Government Services – In recognition of the expansive growth rate of China's second-tier cities, the Government of Canada mandated CCC to help GAC in the establishment and management of Canadian Trade Offices in China. Since 2009, the Corporation has been supporting the management of offices in Chengdu, Nanjing, Shenyang, Shenzhen, Qingdao and Wuhan with operational support from the Embassy in Beijing. During 2014–15, the Corporation continued in this role and working with GAC further expanded the network with the addition of four new offices in Hangzhou, Tianjin, Xiamen and Xi'an. As agreed under the MOU between CCC and GAC, the Corporation will receive approximately $3.1 million in 2015–16 to cover the direct costs of regionally employed personnel, rent, travel and other related costs in addition to the direct and indirect costs of CCC's staff to administer the China Trade offices from its headquarters. On this basis, approximately $3.1 million is forecast in 2016–17. CCC fees for administering the offices are expected to be adjusted annually by the greater of (a) the consumer price index (CPI) for the previous year or (b) the economic and incremental pay increases for CCC employees as set out in the CCC/PIPSC collective bargaining agreement on CCC's Administrative Support Costs, when the agreement is finalized.
- Other Government Services – With the ongoing focus on cost containment and the search for improved efficiencies, the Corporation will continue its agreement for shared services with PPP Canada for back office support in information technology, human resources management, and other corporate services. Although CCC and PPP Canada review and agree to MOU terms and related fee amounts on an annual basis, for purposes of the Corporate Plan, CCC is forecasting $750,000 per year, consistent with the amount agreed to in past years.

Interest Income

Interest is earned on excess cash flows generated from daily business transactions. Actual interest rates earned on corporate balances are subject to the current banking agreement with the Bank of Nova Scotia. CCC may make certain conservative investments but will only invest in cases where the investment rate exceeds rates earned in accordance with its banking agreements.

After a review of several publications the consensus points to a growth in interest rates throughout the five-year planning cycle. Based on the consensus and for purposes of the Corporate Plan, an average yield rate of 1.0% was used in 2016–17, 2.0% in 2017–18 and 2018–19, and 2.5% in 2019–20 through the end of the planning period.

Gain (loss) on Foreign Exchange

No gains or losses on foreign exchange are budgeted although the Canadian dollar is expected to strengthen slightly in comparison to its U.S. dollar counterpart over the five-year planning period. The Corporation's contracts with foreign buyers are matched to offsetting contracts with Canadian exporters. CCC's contracts require receipts and payments to be made in the same currency. As a result, CCC has a natural hedge against foreign exchange gains or losses that would otherwise impact the net results of operations and comprehensive income. Unhedged foreign exchange balances are monitored and kept at negligible levels. As of October 31, 2015, the Corporation's unhedged U.S. currency balance of $6.2 million represents less than 0.2% of its U.S. denominated assets.

Parliamentary Appropriation

The Corporation's appropriation will be gradually phased out in accordance with the three-year plan that commenced in 2014–15. Over the course of the planning period, CCC will reduce the appropriation from $8.9 million in 2015–16 to $3.5 million in 2016–17 and then nil from 2017–18 through the end of the planning period. In managing corporate risks, CCC always works closely with other government departments and central agencies and, should circumstances arise during the planning period which require a different approach going forward, CCC will explore funding alternatives with central agencies.

Contract Remediation Expenses

Contract remediation expenses are budgeted at $0.8 million in 2016–17 increase to $1.1 million in 2018–19 during the peak of the ABP contract then decrease to $0.9 million in 2020–21. The amounts represent approximately 0.025% of commercial trading transactions. The Corporation has achieved exceptional results over the last five years which include the reversal of earlier provisions.

For purposes of the Corporate Plan, contract remediation expenses are assumed to be entirely paid out in the year they are incurred, therefore, there are no provision balances on the Statement of Financial Position.

Operating Expenses

Administrative expenses are forecast to increase over the five-year period of the Corporate Plan, from $32.5 million in 2016–17 to $36.4 million in 2020–21, an average increase of $1.0 million or 3% per year.

Administrative expenses are categorized as core and incremental. Incremental expenses are expenses that must be incurred to manage or facilitate certain extraordinary programs or initiatives. These may be one-time in nature depending on the initiative generating the expense. Specific nuances and distinctions include: (1) China headquarters staff and related expenses are categorized as "core" and China Regional Offices staff, rent and related expenses for operation of the ten offices are categorized as "incremental"; (2) additional ABP expenses over and above the current complement of employees that is required to contract manage this unique program are categorized as "incremental." As such, expenses related to executives and staff included in the current complement of employees are categorized as "core" given their other corporate roles and responsibilities. However, specific resources hired to manage the ABP contract are categorized as "incremental,"(3) and finally, one-time expenses required to facilitate the move to the new premises in years 2014–15 and 2015–16 are categorized as "incremental."

A detailed breakdown of expenses depicting the year-over-year impacts of the specific initiatives is presented in Annex III.

Core Administrative Expenses:

Specific initiatives have been detailed under the Financial Objectives Section 4.5 – Cost Efficiency Initiatives.

As discussed under Section 4.6 – Five-year Key Planning Assumptions, the Plan outlined the establishment of foreign representation in two markets by the end of 2015–16, and in two additional markets (for a total of four) by the end of 2016–17 (one by Q2 and another by Q4). Annual expenses are estimated at approximately $675,000 per representative location by 2020–21 required to cover expenses for salaries, benefits, Foreign Service Allowances (FSA), rent and maintenance for staff quarters, travel and other related expenses including a locally engaged staff (LES). In addition, a one-time fit-up expense of $100,000 per representative location is included in the first year representation is established, which includes renovations required to staff quarters and related relocation costs.

Core administrative expenses are forecast to increase from $27.8 million in 2016–17 to $31.3 million in 2020–21, an increase of $3.5 million over the five-year period. Of the overall $3.5 million increase, $1.0 million or 26% is due to the establishment of foreign representation in four select markets. Another $0.7 million or 18% is for the amortization of capital costs of the investment to upgrade and overhaul financial systems after 10 years. The remaining increase is due to collective bargaining and annual incremental increases an average of 2.7% per year.

Incremental Administrative Expenses:

Incremental administrative expense increases related to the ABP contract and China trade offices are covered by the revenues from these programs.

Related to ABP contract signed in 2014–15, forecast expenses include direct and indirect salaries for the staffing of dedicated contract management personnel at CCC headquarters, the supplier's manufacturing plant in Canada and the international buyer's facilities abroad, travel, living and other related costs over the life of the contract. Related incremental expenses are forecast to be approximately $2.0 million per year from 2016–17 through to 2020–21.

Since 2009 the Government of Canada has mandated the Corporation to assist GAC by supporting the establishment and operation of trade offices in Shenzhen, Chengdu, Qingdao, Wuhan, Nanjing and Shenyang with operational support from the Embassy in Beijing. During 2014–15, the Corporation worked with GAC to expand the trade office network with addition of four new offices in Hangzhou, Tianjin, Xiamen and Xi'an. GAC pays a total annual amount to CCC for the direct cost of operating the ten regional offices in China, in addition to a fee for CCC headquarters staff to facilitate and manage the operation of the trade office network. The cost of operating the ten regional offices, including the cost of regionally employed personnel, rent, travel, regional taxes and other related costs, will total $2.8 million in 2016–17. Direct expenses will increase by 5% related to anticipated growth in salaries and benefits throughout the Corporate Plan period.

4.7 FORECAST FOR 2015–16

The Corporation is forecasting a surplus of $4.5 million for 2015–16, $3.3 million or 275% higher than the budgeted surplus of $1.2 million.

Net revenues stemming from fees for service, interest income on cash balances and other sources are forecasted to be $28.1 million, 3% higher than the budgeted net revenues of $27.3 million, resulting in a favourable variance of $0.8 million. The following factors will contribute to the result:

1. Fees for service are forecasted to be higher than budget by $48 thousand or less than 1%.
2. Finance income is forecasted to be $389 thousand and on budget.
3. Other income is forecasted to be $300 thousand and on budget.
4. CCC is expecting to realize a foreign exchange translation gain of $731 thousand. Gains or losses on foreign exchange are not budgeted.

Expenses will be $32.5 million, $2.5 million or 7% lower than the budget of $35.0 million as follows:

1. Administrative expenses including services provided by PSPC and amortization expenses are forecasted to be $32.3 million, $2.0 million or 6% lower than budget. A favourable variance is forecast compared to the budget. Expenses related to managing the ABP contract and to establishing two new CCC business development foreign representation locations did not materialize as originally expected due to program implementation delays. In addition, several staff positions were vacant during the year.
2. Contract remediation expenses are forecasted to be $0.2 million, $0.5 million or 71% lower than the $0.7 million budget. This reflects the Corporation's continued robust risk and contract management practices and Management's confidence in its ERM framework.

The Corporation's approved annual Parliamentary appropriation of $8.9 million will be consistent with the approved 2015–16 Corporate Plan.

4.8 FINANCIAL SCHEDULES

SCHEDULE A – STATEMENT OF FINANCIAL POSITION

($000S)

	Actual	Forecast	Corporate Plan 2016–2017 to 2020–2021				
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	$ 64,614	$ 72,642	$ 76,187	$ 78,859	$ 84,903	$ 82,750	$ 87,118
Trade receivables	167,393	276,898	298,382	407,698	420,519	407,278	355,293
Advances to Canadian exporters	1,187,284	111,226	121,610	113,368	181,256	208,317	289,691
Progress payments to Canadian exporters	1,638,897	2,494,856	2,939,602	2,573,563	1,854,797	673,300	118,530
	3,058,188	2,955,623	3,435,781	3,173,488	2,541,475	1,371,645	850,632
NON-CURRENT ASSETS							
Property and equipment	513	234	574	537	500	464	427
Intangible assets*	-	-	-	3,500	2,800	2,100	1,400
TOTAL ASSETS	$ 3,058,701	$ 2,955,857	$ 3,436,354	$ 3,177,525	$ 2,544,775	$ 1,374,209	$ 852,459
LIABILITIES							
CURRENT LIABILITIES							
Trade payables and accrued liabilities	$ 171,537	$ 283,820	$ 305,841	$ 417,891	$ 431,031	$ 417,460	$ 364,176
Advances from foreign customers	1,225,509	149,878	163,461	157,117	224,922	243,317	324,691
Progress payments from foreign customers	1,638,897	2,494,856	2,939,602	2,573,563	1,854,797	673,300	118,530
Employee benefits	219	230	241	254	266	280	293
	3,036,162	2,928,784	3,409,145	3,148,824	2,511,017	1,334,357	807,690
NON-CURRENT LIABILITIES							
Employee benefits	1,838	1,893	1,950	2,008	2,069	2,131	2,195
TOTAL LIABILITIES	3,038,000	2,930,677	3,411,095	3,150,833	2,513,086	1,336,488	809,885
SHAREHOLDER'S EQUITY							
Contributed surplus	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Retained earnings	10,701	15,179	15,259	16,692	21,688	27,720	32,574
TOTAL EQUITY	20,701	25,179	25,259	26,692	31,688	37,720	42,574
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	$ 3,058,701	$ 2,955,857	$ 3,436,354	$ 3,177,525	$ 2,544,775	$ 1,374,209	$ 852,459

(*) Increase related to intangible assets in year 2017–18 is due to the capitalization of the investment costs to upgrade and overhaul financial systems after 10 years. The capitalized amount will be amortized over the course of five-years deemed to be the useful life-span.

SCHEDULE B – STATEMENT OF COMPREHENSIVE INCOME AND CHANGES IN EQUITY

($000S)

	Actual	Forecast	Corporate Plan 2016–2017 to 2020–2021				
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
REVENUES							
Commercial trading and sourcing services transactions	$ 2,482,621	$ 2,768,978	$ 2,983,818	$ 4,076,984	$ 4,205,185	$ 4,072,783	$ 3,552,935
Less: Cost of commercial trading and sourcing services transactions	(2,482,621)	(2,768,978)	(2,983,818)	(4,076,984)	(4,205,185)	(4,072,783)	(3,552,935)
Fees for service	22,793	26,678	29,085	35,615	40,148	41,500	40,617
Other income	605	300	300	300	300	300	300
Finance income, net	315	389	435	652	936	1,143	1,249
Gain (loss) on foreign exchange	491	731	–	–	–	–	–
Net Revenues	24,204	28,098	29,820	36,566	41,384	42,943	42,167

EXPENSES							
ADMINISTRATIVE EXPENSES							
Operating expenses	$ 24,420	$ 25,190	$ 28,192	$ 29,689	$ 30,124	$ 30,600	$ 31,063
Lease expenses	1,797	1,682	1,396	1,396	1,396	1,396	1,396
Lease termination/moving expenses	917	2,166	–	–	–	–	–
China office program expenses	2,216	2,733	2,793	2,873	2,957	3,041	3,125
Amortization expense	545	448	37	37	737	737	737
Other	110	81	87	119	123	119	104
	30,004	32,300	32,504	34,114	35,337	35,893	36,425
Contract remediation expenses	149	200	746	1,019	1,051	1,018	888
Expenses	30,153	32,500	33,250	35,133	36,388	36,911	37,313
Net results of operations before parliamentary appropriation	(5,949)	(4,402)	(3,430)	1,433	4,996	6,032	4,854
Parliamentary appropriation	14,240	8,880	3,510	–	–	–	–
Net results of operations	**$ 8,291**	**$ 4,478**	**$ 80**	**$ 1,433**	**$ 4,996**	**$ 6,032**	**$ 4,854**
Actuarial loss on employee benefits obligation	**(99)**	**–**	**–**	**–**	**–**	**–**	**–**
Total comprehensive income	**8,192**	**4,478**	**80**	**1,433**	**4,996**	**6,032**	**4,854**
Equity at beginning of the year	12,509	20,701	25,179	25,259	26,692	31,688	37,720
Equity at year end	20,701	25,179	25,259	26,692	31,688	37,720	42,574
Transfer to the Receiver General for Canada	–	–	–	–	–	–	–
Equity at year end	**$ 20,701**	**$ 25,179**	**$ 25,259**	**$ 26,692**	**$ 31,688**	**$ 37,720**	**$ 42,574**

SCHEDULE C – STATEMENT OF CASH FLOW

($000S)

	Actual	Forecast	Corporate Plan 2016–2017 to 2020–2021				
	2014–2015	2015–2016	2016–2017	2017–2018	2018–2019	2019–2020	2020–2021
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from foreign customers	$ 3,740,072	$ 2,439,801	$ 3,420,663	$ 3,595,285	$ 3,541,406	$ 2,922,922	$ 3,106,923
Finance income, net	315	–	–	–	–	–	–
Fees for service and other income received	23,398	27,367	29,820	36,566	41,384	42,943	41,766
Payments to Canadian exporters	(3,771,917)	(2,436,796)	(3,417,672)	(3,591,674)	(3,542,218)	(2,932,937)	(3,109,156)
Administrative payments	(31,342)	(31,790)	(32,776)	(34,006)	(34,527)	(35,081)	(35,610)
Parliamentary appropriation	14,240	8,880	3,510	–	–	–	–
Cash provided (used) by operating activities	(25,234)	7,461	3,545	6,171	6,045	(2,153)	3,923
CASH FLOWS FROM INVESTING ACTIVITIES							
Acquisition of property and equipment	(181)	(164)	–	–	–	–	–
Acquisition of intangible assets*	–	–	–	(3,500)	–	–	–
Cash provided (used) by investing activities	(181)	(164)	–	(3,500)	–	–	–
CASH FLOWS FROM FINANCING ACTIVITIES							
Transfer to the Receiver General for Canada	–	–	–	–	–	–	–
Cash provided (used) by financing activities	–	–	–	–	–	–	–
Effect of exchange rate changes on cash and cash equivalents	491	731	–	–	–	–	–
Increase (decrease) in cash and cash equivalents	(24,924)	8,028	3,545	2,671	6,045	(2,153)	3,923
Cash and cash equivalents at the beginning of the year	89,538	64,614	72,642	76,187	78,859	84,903	82,750
Cash and cash equivalents at the end of the year	$ 64,614	$ 72,642	$ 76,187	$ 78,859	$ 84,903	$ 82,750	$ 86,673

(*) Increase related to intangible assets in year 2017–18 is due to the capitalization of the investment costs to upgrade and overhaul financial systems after 10 years. The capitalized amount will be amortized over the course of five-years deemed to be the useful life-span.

SCHEDULE D – VARIANCE ANALYSIS, FORECAST COMPARED TO OPERATING BUDGET FOR THE YEAR ENDED MARCH 31, 2016

($000S)

	2015–2016			Explanations
	Forecast	Budget	Variance	
REVENUES				
Commercial trading and sourcing services transactions	$ 2,768,978	$ 2,758,158	$ 10,820	A slight favourable variance of less than 1% is forecast compared to the budget. A decrease to planned deliveries and progress work under the GS business line (which includes the ABP and DPSA programs) was offset by increased deliveries and progress work related to the ICB business line, fees related to sourcing transactions and the operation of China offices.
Less: Cost of commercial trading and sourcing services transactions	(2,768,978)	(2,758,158)	(10,820)	Corresponds to commercial trading and acquisition services transactions due to the "back-to-back" nature of CCC's contracts.
Fees for service	26,678	26,630	48	A slight favourable variance is forecast compared to the budget. Fees for services are commensurate with commercial trading transactions discussed above. Fees for service are earned on deliveries and work performed which are recorded.
Other income	300	300	–	Other income comprised of fees earned for providing discounted early payment and payment wiring to Canadian exporters. Other miscellaneous amounts are forecast to be on budget.
Finance income, net	389	389	–	Finance income earned on the Corporation's cash balances are forecast to be on budget.
Gain (loss) on foreign exchange	731	–	731	CCC is expecting to realize a foreign exchange translation gain due to the Canadian dollar weakening compared to its US dollar counterpart over the course of the fiscal year. Gains or losses on foreign exchange are not budgeted.
Net revenues	**28,098**	**27,319**	**779**	
EXPENSES				
Administrative expenses	32,300	34,308	2,008	A favourable variance is forecast compared to the budget. Expenses to contract manage the ABP contract and establish two new CCC business development foreign representation offices did not materialize as originally expected due to program implementation delays. In addition, several staff positions were vacant at various times during the year.
Contract remediation expenses	200	690	490	The favourable forecast variance reflects the Corporation's robust risk and contract management practices and ERM framework.
Total expenses	**32,500**	**34,998**	**2,498**	
Net results of operations before parliamentary appropriation	(4,402)	(7,679)	3,278	
Parliamentary appropriation	8,880	8,880	–	
Total comprehensive income	**$ 4,478**	**$ 1,201**	**$ 3,278**	

SCHEDULE E – VARIANCE ANALYSIS, 2016–17 PROPOSED BUDGET COMPARED TO 2015–16 FORECAST

($000S)

	2016–2017 Proposed Budget	2015–2016 Forecast	Increase (Decrease)	Explanations
REVENUES				
Commercial trading and sourcing services transactions	$ 2,983,818	$ 2,768,978	$ 214,841	The increase will come from contracts that have been signed in 2015–16 related to primarily the ICB business line. The ICB business line contributed signed contracts in excess of $340.0 million in Latin America, Africa and Asia in 2015–16. A large portion of these contracts will commence deliveries and progress work in 2016–17. In addition, activity related to the support portion of the ABP contract are scheduled to increase.
Less: Cost of commercial trading and sourcing services	(2,983,818)	(2,768,978)	(214,841)	Corresponds to commercial trading and acquisition services transactions due to the "back-to-back" nature of CCC's contracts.
Fees for service	29,085	26,678	2,407	Fees for services are commensurate with commercial trading transactions discussed above. Fees for service are earned on deliveries and work performed which are recorded.
Other income	300	300	–	
Finance income, net	435	389	46	The increase is due to slightly higher usable cash balances and average interest rate yields.
Gain (loss) on foreign exchange	–	731	(731)	The Corporation does not budget for Foreign exchange gains and losses. Unhedged foreign exchange balances are monitored and kept at negligible levels.
Net revenues	**29,820**	**28,098**	**1,722**	
EXPENSES				
Administrative expenses	32,504	32,300	205	The net increase of $0.2 million is less than 1%. The delays referred to in the 2015–16 forecast to budget variance analysis discussion (Schedule D) related to the implementation of certain key initiatives, contribute the large majority of the expense in 2016–17 as these initiatives are expected to be fully operationalized by the beginning of the year. Increases related to the ABP of $1.1 million and BD regional offices of $1.2 million were offset by the one-time expenditures of $2.1 related to the lease renewal and implementation.
Contract remediation expenses	746	200	546	The amounts represent approximately 0.003% of commercial trading transactions. The Corporation has achieved exceptional results over the last five years which includes the reversal of earlier provisions and final settlement of a long standing dispute.
Total expenses	**33,250**	**32,500**	**751**	
Net results of operations before parliamentary appropriation	(3,430)	(4,402)	972	
Parliamentary appropriation	3,510	8,880	(5,370)	The decrease reflects the second year of a three-year phased in reduction of parliamentary appropriation which will result in the Corporation being self-sufficient from 2017–18 onwards.
Total comprehensive income	**$ 80**	**$ 4,478**	**$ (4,398)**	

ANNEX ONE

GLOSSARY OF TERMS

ABP	Armoured Brigades Program
AIAC	Aerospace Industries Association of Canada
BDC	Business Development Bank of Canada
CCC	Canadian Commercial Corporation
CEO	Chief Executive Officer
CFPOA	*Corruption of Foreign Public Officials Act*
CRM	Client Relationship Management
CSR	Corporate Social Responsibility
CTT	Commercial Trading Tansactions
DPSA	Defence Production Sharing Agreement
EDC	Export Development Canada
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planning
FAA	*Financial Administration Act*
FMS	Foreign Military Sales
GAC	Global Affairs Canada
GDP	Gross Domestic Product
GS	Global Security
ICB	International Commercial Business
ICC	Intergrity Compliance Committee
LAV	Light Armoured Vehicles
MOU	Memorandum of Understanding
NASA	National Aeronautics and Space Administration
NPS	Net Promoter Score
PIPSC	Professional Institute of the Public Service of Canada
PPP	Public-Private Partnerships Canada
PPPs	Public-private partnerships

PSPC	Public Services and Procurement Canada
SIPRI	Stockholm International Peace Research Institute
ROC	Risk and Opportunities Committee
SMEs	Small and medium-sized enterprises
SPA	Statement of Priorities and Accountabilities
TBS	Treasury Board Secretariat
TCS	Trade Commissioner Service
USD	United States Dollars
U.S. DoD	United States Department of Defence
VCS	Value of Contracts Signed